



Condensed Consolidated Quarterly Financial Information (Unaudited)

Mizzen Mezzco Limited

**Quarter ended 30 June 2017**

**Premium Credit is the No.1 Insurance Financing Company**

**Mizzen Mezzco Limited**

**Registered Number: 08179245**

# Mizzen Mezzco Limited

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# Mizzen Mezzco Limited

## Financial Highlights

Financial Data  (£ in millions, except percentages and ratios)	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Increase/ (Decrease)
	(unaudited)	(unaudited)	(unaudited)
Net Advances <sup>(a)</sup> .....	1,687.3	1,717.1	(29.8)
Turnover .....	65.6	64.8	0.8
EBITDA .....	36.6	40.8	(4.2)
Adjusted EBITDA <sup>(b)</sup> .....	42.5	42.6	(0.1)
Adjusted EBITDA Margin <sup>(b)</sup> .....	64.8%	65.7%	(0.9%)
Adjusted Post-Securitisation EBITDA <sup>(c)</sup> .....	35.6	34.2	1.4
Adjusted Post-Securitisation EBITDA Margin <sup>(c)</sup> .....	54.3%	52.8%	1.5%
Cash Conversion <sup>(d)</sup> .....	93.5%	84.2%	9.3%

Financial Data  (£ in millions, except percentages and ratios)	For the quarter ended 30 June 2017	For the quarter ended 30 June 2016	Increase/ (Decrease)
	(unaudited)	(unaudited)	(unaudited)
Net Advances <sup>(a)</sup> .....	844.6	883.1	(38.5)
Turnover .....	33.3	33.1	0.2
EBITDA .....	20.0	20.9	(0.9)
Adjusted EBITDA <sup>(b)</sup> .....	22.5	21.8	0.7
Adjusted EBITDA Margin <sup>(b)</sup> .....	67.6%	65.9%	1.7%
Adjusted Post-Securitisation EBITDA <sup>(c)</sup> .....	18.8	17.6	1.2
Adjusted Post-Securitisation EBITDA Margin <sup>(c)</sup> .....	56.5%	53.2%	3.3%
Cash Conversion <sup>(d)</sup> .....	93.1%	86.4%	6.7%

a. Net Advances represents gross advances net of loans for policies or services that have been cancelled by end customers, or service provider

b. Adjusted EBITDA represents EBITDA as adjusted for certain transaction costs, one-time information technology and other expenses, Adjusted EBITDA margin as a % of Turnover.

c. Adjusted Post-Securitisation EBITDA adjusted for funding costs; Adjusted Post-Securitisation EBITDA margin as a % of Turnover.

d. Cash conversion as a % of Free Cash flow to Adjusted Post-Securitisation EBITDA; Free Cash flow represents Adjusted Post-Securitisation EBITDA – CapEx

### Highlights for the six months ended 30 June 2017

- The overall size of our net advances is down by 1.7% to £1,687.3 million for the six months ended 30 June 2017 (H1 2016: £1,717.1 million).
- EBITDA decreased by £4.2 million or 10.3% to £36.6 million in the six months ended 30 June 2017 (H1 2016: £40.8 million), primarily due to an increase of one-time technology (net of capitalisation) of £4.1 million.
- Adjusted post-securitisation EBITDA increased by £1.4 million or 4.1% to £35.6 million, driven by turnover growth and lower interest expense due to removal of the interest rate swap contracts in October 2016.
- Looking at the components of Adjusted post-securitisation EBITDA in more detail:
  - Group turnover increased by £0.8 million, or 1.2%, to £65.6 million for the six months ended 30 June 2017 (H1 2016: £64.8 million), despite lower net advances. This was driven by mix change.
  - Net credit losses of £2.9 million increased by £0.1 million for the 6 months ended 30 June 2017 (H1 2016: £2.8 million). Increased credit losses have been offset by recoveries.
  - Operating expenses <sup>(1)</sup> increased by £0.8 million to £20.2 million or 4.1% for the six months ended 30 June 2017 (H1 2016: £ 19.4 million), due to incremental staff and facilities costs as we invest in our organisation.

1. Operating expenses are adjusted for certain transaction cost, one time information technology and other expenses.

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## Financial Highlights

- Securitisation interest expense decreased by £1.5 million, or 17.9%, to £6.9 million for the six months ended 30 June 2017 (H1 2016: £8.4 million) due to a benefit from expiry of the interest rate swap contracts.

## Highlights for the quarter ended 30 June 2017

- The overall size of our net advances fell by 4.4% to £844.6 million for the quarter ended 30 June 2017 (Q2 2016: £883.1 million), because of a loss of volume from brokers arising from market consolidation; and lower volumes from our retail brokers impacted by wider environmental factors.
- EBITDA decreased by £0.9 million or 4.3% to £20.0 million in the quarter ended 30 June 2017 (Q2 2016: £20.9 million); mainly due to an increase in one time technology costs (net of capitalisation).
- Adjusted post-securitisation EBITDA increased by £1.2 million or 6.8% to £18.8 million (Q2 2016: £17.6 million), primarily driven by reduced funding costs and turnover growth.
- Looking at the components of Adjusted post-securitisation EBITDA in more detail:
  - Group turnover increased by £0.2 million, or 0.6%, to £33.3 million for the quarter ended 30 June 2017 (Q2 2016: £33.1 million).
  - Net credit losses of £1.0 million decreased by £0.3 million for the quarter ended 30 June 2017 (Q2 2016: £1.3 million), primarily due to an offset of write offs by recoveries.
  - Operating expenses <sup>(2)</sup> decreased by £0.2 million or 2.0% to £9.8 million for the quarter ended 30 June 2017 (Q2 2016: £ 10.0 million) due to cost management initiatives.
  - Securitisation interest expense decreased by £0.5 million, or 11.9%, to £3.7 million for the quarter ended 30 June 2017 (Q2 2016: £4.2 million), mainly due to expiry of the interest rate swap contracts.

## Tom Woolgrove, Chief Executive, commenting on the results said:

“The Group has continued to deliver steady financial performance in the first half of 2017, with Adjusted Post Securitisation EBITDA of £35.6 million, an increase of 4.1% year on year.

While we were disappointed with the reduction in net advances, we continued to focus on our margins. Net advances were impacted by consolidation activity in our broker community and lower volumes from several of our key retail brokers due to wider environmental factors.

We are pleased to note the successful launch of our inaugural Public Asset Backed Security issuance in June 2017 and we received full FCA authorisation in July 2017.

We continue to focus on our strategic objectives and continue to improve our service offering for both, our intermediary clients and our customers”.

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2. Operating expenses are adjusted for certain transaction cost, one time information technology and other expenses.

## **Basis of Preparation**

The Group presents its financial statements under IFRS, and prepared the Annual Report and Financial Statements for 2016 under IFRS.

## **Use of Non-IFRS Financial Measures**

### **Turnover**

Turnover represents interest income, net fee and commission income. Turnover is not specifically defined under, or presented in accordance with, IFRS or any other generally accepted accounting principles and you should not consider it as an alternative to total income for the period or any other performance measures derived in accordance with IFRS.

### **EBITDA**

EBITDA-based measures are non-IFRS measures. The Group uses EBITDA-based measures as internal measures of performance to benchmark and compare performance, both between its own operations and as against other companies. EBITDA-based measures are measures used by the Group, together with measures of performance under IFRS, to compare the relative performance of operations in planning, budgeting and reviewing the performances of various businesses. The Group believes EBITDA-based measures are useful and commonly used measures of financial performance in addition to operating profit and other profitability measures under IFRS because they facilitate operating performance comparisons from period to period and company to company. By eliminating potential differences in results of operations between periods or companies caused by factors such as depreciation and amortisation methods, financing and capital structures, taxation positions or regimes and exceptional items, the Group believes EBITDA-based measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, the Group believes EBITDA-based measures and similar measures are regularly used by the investment community as a means of comparison of companies in the Group's industry. Different companies and analysts may calculate EBITDA-based measures differently, so making comparisons among companies on this basis should be done very carefully. EBITDA-based measures are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for operating profit or net profit as an indicator of the Group's operations in accordance with IFRS.

EBITDA represents profit for the period before taxation, interest payable and similar charges, depreciation and amortisation, goodwill amortisation and amortisation of Securitisation Facility refinancing fees. EBITDA is not specifically defined under, or presented in accordance with, IFRS or any other generally accepted accounting principles and you should not consider it as an alternative to profit for the period or any other performance measures derived in accordance with IFRS.

Adjusted EBITDA represents EBITDA as adjusted for certain transaction costs, pro forma standalone expenses and one-time information technology and other expenses identified in the tables on page 11. In evaluating Adjusted EBITDA, we encourage you to evaluate each adjustment and the reasons we consider it appropriate as a method of supplemental analysis. You should be aware that, as an analytical tool, Adjusted EBITDA is subject to all of the limitations applicable to EBITDA. You should be aware that we may incur expenses similar to the adjustments in this presentation in the future and that certain of these items could be considered recurring in nature. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

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## Use of Non-IFRS Financial Measures (continued)

Adjusted EBITDA Margin represents Adjusted EBITDA divided by turnover.

Adjusted Post-Securitisation EBITDA represents Adjusted EBITDA as adjusted to exclude any add-back to profit for the period before taxation of interest expense related to the Securitisation Facility. In evaluating Adjusted Post-Securitisation EBITDA, we encourage you to evaluate each adjustment and the reasons we consider it appropriate as a method of supplemental analysis. You should be aware that, as an analytical tool, Adjusted Post-Securitisation EBITDA is subject to all of the limitations applicable to EBITDA and Adjusted EBITDA.

Adjusted Post-Securitisation EBITDA Margin represents Adjusted Post Securitisation EBITDA divided by turnover.

Cash conversion represents Adjusted Post-Securitisation EBITDA less capital expenditure as a percentage of Adjusted Post-Securitisation EBITDA.

### Other

In addition to EBITDA-based measures, the Group has included other non-IFRS financial measures in this report, some of which the Group refers to as “key performance indicators”. The Group believes that it is useful to include these non-IFRS measures as they are used by the Group for internal performance analysis and the presentation by its business divisions of these measures facilitates comparability with other companies in the Group’s industry, although the Group’s measures may not be comparable with similar measurements presented by other companies. These other non-IFRS measures should not be considered in isolation or construed as a substitute for IFRS measures in accordance with IFRS.

Net debt (excluding securitisation) represents total corporate borrowings less cash on the balance sheet excluding SPV cash from the Securitisation Facility (“PCL Cash”).

Cash interest expense (excluding securitisation) represents cash interest expense excluding interest payable to SPV under the Securitisation Facility and certain associated interest rate hedges. Cash interest expense (excluding securitisation), has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the issue of the Notes occurred on the date assumed, nor does it purport to project our interest expenses for any period or our financial condition at any future date.

### Notice

These accounts have been prepared at the level of Mizzen Mezzco Limited.

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## Management Discussion and Analysis – Business Review

### Principal Activities

We are the leading independent provider of insurance premium and other service fees advances in the UK and Ireland. For the year ended 31 December 2016, the company had 2.9 million customers and achieved net advances of £3,551.1 million, processing 30.0 million direct debits.

The company's principal objective is to provide the best service to its customers and its partners by providing efficient, profitable and valued payment and funding solutions. The company aims to achieve sustainable organic growth through improving integration, improving customer journeys, offering new products and utilising new technologies, deepening its intermediary relationships, increasing penetration of finance and developing opportunities in new markets.

Our results are largely driven by the size of our advances portfolio, the margin between the interest rate at which we make our advances and our cost of borrowing the funds for our advances, our ability to collect amounts due under the advances we make, and, to a lesser extent, our administrative and overhead costs. Our loss rates have historically been low and generally have not had a significant impact on our results. The size of our advances portfolio is primarily driven by our relationships with intermediaries, finance penetration and renewal rates, competition in the insurance premium and service fees market in which we operate, demand for insurance and other services, and the availability of funds for the advances.

### Leadership

Robert Allan, Chief Financial Officer of Premium Credit, left the business in April 2017. Nayan Kisnadwala will remain as Group Chief Financial Officer.

Charlie Cutler was appointed the General Counsel and the Company Secretary in July 2017, succeeding Jasan Fitzpatrick in this role.

We would like to thank Rob and Jasan for their significant contribution and many years of loyal service to Premium Credit.

### Market

The premium finance market continues to develop and evolve. We continue to see consolidation amongst insurance brokers, whilst technology and regulation continue to shape both ourselves and our partners. More widely, we continue to see new payment service providers coming to market. The low interest rate environment seems set to continue.

### Funding

The company amended the terms of its securitisation programme in December 2016 to create a master trust structure which would facilitate the issuance of term notes alongside its existing private variable funding facility (the "VFN Facility").

The company completed its inaugural issuance of term asset backed notes from the Master Trust structure on 15 June 2017 (the "Public ABS transaction"). The notes have a three year revolving period, which expires on 15 June 2020. The initial public issuance consists of Class "A", "B" and "C" Notes, rated by Moody's and DBRS and listed on the Irish Stock Exchange and "D" notes which are unrated and subscribed for by PCL.

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## Management Discussion and Analysis – Business Review (continued)

### Risks

The Group is predominantly exposed to a variety of risks, particularly Credit, Liquidity and Conduct risks. For Credit risk, the Group has multiple layers of credit protection available. These protections arise as our earnings stream derives predominantly from the financing of cancellable and debatable services. As a result, our loss rates are low, and show little volatility through the economic cycle. We will continue to invest resources in strong credit underwriting to maintain these low loss rates, and are in process of enhancing our affordability and credit assessment to ensure appropriate outcomes for our customers.

A full description of the principal risks facing the business, together with how they are managed, are set out in our latest Annual Report and Financial Statements. We believe there have been no material changes to these risks in this financial period.

### Regulatory Landscape

Full FCA authorisation was received in July 2017. Our Irish business is independently authorised as a Money Lender by the Central Bank of Ireland.

Meanwhile, we continue to invest considerable resources to ensure the conduct of our business is in compliance with the principles and spirit of the regulatory environment within which PCL operates.

### Technology

As part of our commitment to improving our Technology, we replaced our legacy system with a more modern and flexible solution, PCS (Payment Collection System). The new loan administration system, launched in July 2016, initially provides the same functionality as the old system, but on a modern platform that will enable us to build enhancements that will improve our client and customer experience.

Our continuing investment in technology has three key strategic aims:

1. To develop an unrivalled customer experience in all of our chosen markets.
2. To provide improved efficiency for our network partners and intermediaries.
3. To build a digital sales process, which enables all our partners to consistently present finance offers at the point of sale, and acquire and retain more customers, while meeting regulatory and compliance expectations.

We have launched our new 'Point of Payment' EPICC (Electronic Payments for Insurance Customers and Clients). EPICC allows our partners to consistently present all clients with instalment finance alongside other payment options. This maximises their ability to offer a financial solution to suitable customers at the point of sale. This unique service provides customers with informed choices about their payment options, improves our analytics and increases our partners' efficiency. We plan to roll this product out across our business, beginning with Corporate and Commercial brokers.

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## Management Discussion and Analysis – Financial Review

### Key Financial Results

The tables below show the Group's key consolidated financial results for the six months and quarters ended 30 June 2017 and 30 June 2016:

#### Non-IFRS Measures

Financial Data	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Increase / (Decrease)
(£ in millions, except percentages and ratios)	(unaudited)	(unaudited)	(unaudited)
Turnover .....	65.6	64.8	0.8
EBITDA .....	36.6	40.8	(4.2)
Adjusted EBITDA <sup>(a)</sup> .....	42.5	42.6	(0.1)
Adjusted EBITDA Margin <sup>(a)</sup> .....	64.8%	65.7%	(0.9%)
Adjusted Post-Securitisation EBITDA <sup>(b)</sup> .....	35.6	34.2	1.4
Adjusted Post-Securitisation EBITDA Margin <sup>(b)</sup> .....	54.3%	52.8%	1.5%
Cash Conversion <sup>(c)</sup> .....	93.5%	84.2%	9.3%

.5%

Financial Data	For the quarter ended 30 June 2017	For the quarter ended 30 June 2016	Increase / (Decrease)
(£ in millions, except percentages and ratios)	(unaudited)	(unaudited)	(unaudited)
Turnover .....	33.3	33.1	0.2
EBITDA .....	20.0	20.9	(0.9)
Adjusted EBITDA <sup>(a)</sup> .....	22.5	21.8	0.7
Adjusted EBITDA Margin <sup>(a)</sup> .....	67.6%	65.9%	1.7%
Adjusted Post-Securitisation EBITDA <sup>(b)</sup> .....	18.8	17.6	1.2
Adjusted Post-Securitisation EBITDA Margin <sup>(b)</sup> .....	56.5%	53.2%	3.3%
Cash Conversion <sup>(c)</sup> .....	93.1%	86.4%	6.7%

.5%

- a. Adjusted EBITDA represents EBITDA as adjusted for certain transaction costs, one-time information technology and other expenses, Adjusted EBITDA margin as a % of Turnover.  
b. Adjusted Post-Securitisation EBITDA adjusted for funding costs; Adjusted Post-Securitisation EBITDA margin as a % of Turnover.  
c. Cash conversion as % of Free Cash flow to Adjusted Post-Securitisation EBITDA; Free Cash Flow represents Adjusted Post-Securitisation EBITDA – CapEx

The table below shows the Group's key other financial metrics for the six months and quarters ended 30 June 2017 and 30 June 2016:

Key Performance Indicators	For the six months ended 30 June 2017	For the six months ended 31 June 2016	Increase / (Decrease)
(in millions)			
Net Advances <sup>(a)</sup> .....	£1,687.3	£1,717.1	(£29.8)
Number of non-cancelled Agreements <sup>(b)</sup> .....	1.11	1.27	(0.16)
Number of direct debits processed <sup>(c)</sup> .....	14.38	14.90	(0.52)

Key Performance Indicators	For the quarter ended 30 June 2017	For the quarter ended 31 June 2016	Increase / (Decrease)
(in millions)			
Net Advances <sup>(a)</sup> .....	£844.6	£883.1	(£38.5)
Number of non-cancelled Agreements <sup>(b)</sup> .....	0.54	0.64	(0.10)
Number of direct debits processed <sup>(c)</sup> .....	7.06	7.56	(0.50)

- (a) Represents gross advances net of loans for policies or services that have been cancelled by end customers, or which have been cancelled by the insurance policy or service provider  
(b) Consists of loan agreements which are expected to complete to term.  
(c) Represents the number of direct debit transactions that we processed during the period.

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## Management Discussion and Analysis – Financial Review (continued)

The table below shows the Group's other pro-forma financial data for the period ended 30 June 2017 and 30 June 2016:

	For the period ended 30 June 2017	For the period ended 30 June 2016	Increase / (Decrease)
(£ in millions, except percentages and ratios)	(unaudited)	(unaudited)	(unaudited)
Adjusted Post-Securitisation EBITDA (Last 12 months).....	70.1	68.3	1.8
Gross debt.....	189.4	189.4	-
Net debt <sup>(a)</sup> .....	123.3	126.3	(3.0)
Cash interest expense (excluding securitisation).....	13.3	13.3	-
Ratio of gross debt to Adjusted Post-Securitisation EBITDA.....	2.7x	2.8x	(0.1x)
Ratio of net debt to Adjusted Post-Securitisation EBITDA.....	1.8x	1.8x	-
Ratio of Adjusted Post-Securitisation EBITDA to cash interest expense (excluding securitisation) .....	5.3x	5.1x	0.2x

a. Net debt (excluding securitisation) represents gross debt less cash & cash equivalents as of the last day of the mentioned period.

### Net Debt

Net debt (excluding securitisation) of £123.3 million represents total corporate borrowings (Senior Notes) of £189.4 million, less £66.1 million of Cash and Cash equivalents (which includes £2.5 million cash held in the SPV) as of 30 June 2017 (2016: £63.1 million including £10.0 million cash held in SPV). This shows a decrease of £3.0 million, against £126.3 million as of 30 June 2016 due to an increase in Cash and Cash equivalents by £3.0 million.

The net debt to Adjusted Post-Securitisation EBITDA ratio of 1.8x for the period ended 30 June 2017 is stable versus the period ended 30 June 2016.

Cash interest expense (excluding securitisation) represents cash interest expense, excluding interest payable to SPV under the Securitisation Facility and associated interest rate hedges. Cash interest expense (excluding securitisation) for the twelve months ended 30 June 2017 was at £13.3 million which is the interest payable on the bond.

The Adjusted Post-Securitisation EBITDA to cash interest expense ratio of 5.3x for twelve months ended 30 June 2017 was 0.2x better than for the twelve months ended 30 June 2016 of 5.1x.

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## Management Discussion and Analysis – Financial Review (continued)

The following table reconciles profit for the period to EBITDA to Adjusted EBITDA and to Adjusted Post Securitisation EBITDA for the six months and the quarters ended 30 June 2017 and 30 June 2016:

(£ in millions)	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Increase / (Decrease)
	(unaudited)	(unaudited)	(unaudited)
<b>Profit/(loss) for the period before taxation</b> .....	<b>18.2</b>	<b>26.4</b>	<b>(8.2)</b>
Interest payable and similar charges <sup>(a)</sup> .....	15.1	16.8	(1.7)
Depreciation and amortisation .....	2.8	1.5	1.3
Financing fees .....	1.4	0.6	0.8
Currency (gain)/loss .....	(0.9)	(4.2)	3.3
(Gain)/loss on revaluation of interest rate swap .....	-	(0.3)	0.3
<b>EBITDA</b> .....	<b>36.6</b>	<b>40.8</b>	<b>(4.2)</b>
Transaction costs <sup>(b)</sup> .....	0.2	0.2	-
One-time information technology and other expenses <sup>(c)</sup> .....	5.7	1.6	4.1
<b>Adjusted EBITDA</b> .....	<b>42.5</b>	<b>42.6</b>	<b>(0.1)</b>
Securitisation interest expense <sup>(d)</sup> .....	(6.9)	(8.4)	1.5
<b>Adjusted Post-Securitisation EBITDA</b> .....	<b>35.6</b>	<b>34.2</b>	<b>1.4</b>

- a. Includes amortisation of financing costs of £0.9 million with respect to the Securitisation Facility and £0.7m with respect to Bond financing cost for the six months ended 30 June 2017, whereas the six months ended 30 June 2016 includes £1.0 million with respect to the Securitisation Facility and £0.8m with respect to Bond financing cost.
- b. Represents costs relating to the Acquisition, including consultancy, accounting and legal, other advisory fees and Sponsor expenses.
- c. Represents one-time and IT project change costs.
- d. Represents interest expense payable to SPV under the Securitisation Facility and is presented on an actual basis.

(£ in millions)	For the quarter ended 30 June 2017	For the quarter ended 30 June 2016	Increase / (Decrease)
	(unaudited)	(unaudited)	(unaudited)
<b>Profit/(loss) for the period before taxation</b> .....	<b>10.5</b>	<b>14.1</b>	<b>(3.6)</b>
Interest payable and similar charges <sup>(a)</sup> .....	7.8	8.4	(0.6)
Depreciation and amortisation .....	1.9	0.8	1.1
Financing fees .....	0.7	0.4	0.3
Currency (gain)/loss .....	(0.9)	(2.6)	1.7
(Gain)/loss on revaluation of interest rate swap .....	-	(0.2)	0.2
<b>EBITDA</b> .....	<b>20.0</b>	<b>20.9</b>	<b>(0.9)</b>
Transaction costs <sup>(b)</sup> .....	0.1	0.1	-
One-time information technology and other expenses <sup>(c)</sup> .....	2.4	0.8	1.6
<b>Adjusted EBITDA</b> .....	<b>22.5</b>	<b>21.8</b>	<b>0.7</b>
Securitisation interest expense <sup>(d)</sup> .....	(3.7)	(4.2)	0.5
<b>Adjusted Post-Securitisation EBITDA</b> .....	<b>18.8</b>	<b>17.6</b>	<b>1.2</b>

- a. Includes amortisation of financing costs of £0.5 million with respect to the Securitisation Facility and £0.4m with respect to Bond financing cost for the quarter ended 30 June 2017, whereas the quarter ended 30 June 2016 includes £0.5 million with respect to the Securitisation Facility and £0.4m with respect to Bond financing cost.
- b. Represents costs relating to the Acquisition, including consultancy, accounting and legal, other advisory fees and Sponsor expenses.
- c. Represents one-time and IT project change costs.
- d. Represents interest expense payable to SPV under the Securitisation Facility and is presented on an actual basis.

# Mizzen Mezzco Limited

## Consolidated Income Statement

	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Increase / (Decrease)
(£ in millions, except percentages)	(unaudited)	(unaudited)	(unaudited)
<b>Group Turnover</b> .....	<b>65.6</b>	<b>64.8</b>	<b>0.8</b>
Operating expenses.....	(32.3)	(22.0)	(10.3)
<b>Group Operating profit/(loss)</b> .....	<b>33.3</b>	<b>42.8</b>	<b>(9.5)</b>
Gain/(loss) on derivative financial instruments.....	-	0.3	(0.3)
Interest payable and similar charges <sup>(a)</sup> .....	(15.1)	(16.7)	1.6
<b>Profit (loss) on ordinary activities before taxation</b> .....	<b>18.2</b>	<b>26.4</b>	<b>(8.2)</b>
Tax on profit on ordinary activities	3.1	0.9	2.2
<b>Profit / (loss) for the period</b> .....	<b>21.3</b>	<b>27.3</b>	<b>(6.0)</b>

a. Includes amortisation of financing costs of £0.9 million with respect to the Securitisation Facility and £0.7 million with respect to Bond financing cost for the six months ended 30 June 2017, whereas the six months ended 30 June 2016 includes £1.0 million with respect to the Securitisation Facility and £0.8m with respect to Bond financing cost.

	For the quarter ended 30 June 2017	For the quarter ended 30 June 2016	Increase / (Decrease)
(£ in millions, except percentages)	(unaudited)	(unaudited)	(unaudited)
<b>Group Turnover</b> .....	<b>33.3</b>	<b>33.1</b>	<b>0.2</b>
Operating expenses.....	(15.0)	(10.9)	(4.1)
<b>Group Operating profit/(loss)</b> .....	<b>18.3</b>	<b>22.2</b>	<b>(3.9)</b>
Gain/(loss) on derivative financial instruments.....	-	0.2	(0.2)
Interest payable and similar charges <sup>(a)</sup> .....	(7.8)	(8.4)	0.6
<b>Profit (loss) on ordinary activities before taxation</b> .....	<b>10.5</b>	<b>14.1</b>	<b>(3.6)</b>
Tax on profit on ordinary activities	1.4	(0.3)	1.7
<b>Profit / (loss) for the quarter</b> .....	<b>11.9</b>	<b>13.8</b>	<b>(1.9)</b>

a. Includes amortisation of financing costs of £0.5 million with respect to the Securitisation Facility and £0.4 million with respect to Bond financing cost for the quarter ended 30 June 2017, whereas the quarter ended 30 June 2016 includes £0.5 million with respect to the Securitisation Facility and £0.4m with respect to Bond financing cost.

# Mizzen Mezzco Limited

## Consolidated Balance Sheet

(£ in millions)	Notes	As at 30 June 2017	As at 30 June 2016	Increase / (Decrease)
		(unaudited)	(unaudited)	(unaudited)
<b>Non-current assets</b>				
Intangible assets.....	1	9.8	9.6	0.2
Tangible assets.....	2	6.4	2.8	3.6
Non-current debtors.....	3	6.8	1.5	5.3
Deferred tax asset.....		0.5	0.4	0.1
<b>Total non-current assets.....</b>		<b>23.5</b>	<b>14.3</b>	<b>9.2</b>
<b>Current assets</b>				
Current debtors.....	3	1,417.3	1,450.6	(33.3)
Cash and cash equivalents.....	4	80.6	64.4	16.2
<b>Total current assets.....</b>		<b>1,497.9</b>	<b>1,515.0</b>	<b>(17.1)</b>
<b>Total assets.....</b>		<b>1,521.4</b>	<b>1,529.3</b>	<b>(7.9)</b>
<b>Non-current liabilities</b>				
Borrowings.....	5	1,135.0	1,137.1	(2.1)
Trade and other payables.....	6	9.6	9.6	-
<b>Total non-current liabilities.....</b>		<b>1,144.6</b>	<b>1,146.7</b>	<b>(2.1)</b>
<b>Current liabilities</b>				
Trade and other payables.....	6	394.5	406.8	(12.3)
Derivative financial instruments.....	7	-	1.1	(1.1)
<b>Total current liabilities.....</b>		<b>394.5</b>	<b>407.9</b>	<b>(13.4)</b>
<b>Total liabilities.....</b>		<b>1,539.1</b>	<b>1,554.6</b>	<b>(15.5)</b>
<b>Capital &amp; Reserves</b>				
Share capital.....		44.5	44.5	-
Reserves.....		(62.2)	(69.8)	7.6
<b>Total shareholders' equity.....</b>		<b>(17.7)</b>	<b>(25.3)</b>	<b>7.6</b>
<b>Total liabilities and equity.....</b>		<b>1,521.4</b>	<b>1,529.3</b>	<b>(7.9)</b>

# Mizzen Mezzco Limited

## Consolidated Balance Sheet (continued)

### 1. *Intangible Assets*

Intangible assets consist of capitalised software costs of £9.8 million as at 30 June 2017, up £0.2 million from 30 June 2016 relating to internally generated software. Intangible assets reflect our investment in our infrastructure to improve customer journeys.

### 2. *Tangible Assets*

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. All tangible fixed assets are depreciated on a straight-line basis by reference to their estimated useful life. Leasehold assets are written off over the period of the lease. Tangible assets were at a net cost of £6.4 million as at the 30 June 2017 (£2.8 million as at 30 June 2016). The increase of £3.6 million is driven by the additions relating to upgrades and investments to our existing information technology infrastructure platform and new office, partially offset by depreciation charge in the period.

### 3. *Debtors*

Debtors consist of trade debtors after deduction of provision for irrecoverable debts, unearned income and prepayments. The debtor balance as of 30 June 2017 was at £1,423.9 million (30 June 2016: £1,452.0 million) of which £1,417.3 million was current (30 June 2016: £1,450.5 million) and £6.8 million non-current (30 June 2016: £1.5 million). At 30 June 2017, loans and advance to customers were £1,411.9 million (30 June 2016: £1,443.0 million) and prepayments and other assets £12.0 million (30 June 2016: £9.0 million). The decrease in debtors is primarily due to the decrease in loans and advances to customers which has been driven by the decrease in net advances.

### 4. *Cash at Bank and in Hand*

Cash at bank and in hand of £80.6 million represents SPV cash from the Securitisation Facility of £17.0 million (which includes and £2.5 million of liquidity reserve) and cash held outside the SPV of £63.6 million as at 30 June 2017, against £64.4 million as at 30 June 2016 represented by SPV cash of £11.4 million (which includes £1.4 million of other servicing fees/interest, £10.0 million of liquidity reserve) and cash held outside the SPV of £53.0 million.

### 5. *Borrowings*

Borrowings consist of Securitisation Notes of £951.1 million (net of £2.6 million of set up costs) and Senior Notes for £189.4 million as at 30 June 2017 which are stated as £183.9 million after netting the unamortised bond set up costs of £5.5 million. The Securitisation notes relate to external funding provided to the Group through Special Purpose Vehicles (SPVs), PCL Funding I Limited and PCL Funding II Limited.

The SPV PCL Funding I Limited is a Sterling denominated Variable Note Issuance Programme, expiring on 15 December 2019. On 8 August 2017, it was agreed to reduce the facility from £1,150.0 million to £850.0 million and it was extended to 10 August 2020.

In June 2017, an initial public issuance was launched via a new SPV, PCL Funding II, a 3 year £300 million revolving period facility, consisting of "A", "B" and "C" Notes rated by Moody's and DBRS and unrated "D" Notes, with an amortisation date of 15 June 2020.

# Mizzen Mezzco Limited

## Consolidated Balance Sheet (continued)

The drawdown amount on the Securitisation facility was £953.7 million as at 30 June 2017, against £956.9 million as at 30 June 2016. The downward movement of £3.2 million primarily relates to the movements in the underlying assets.

### 6. Trade and other payables

Trade creditors of £404.1 million as of 30 June 2017 decreased £12.3 million from £416.4 million as at 30 June 2016. Trade creditors relates primarily to premiums payable to producers.

### 7. Derivative financial instruments

Derivative financial instruments relate to the valuation of the interest rate swaps. The swaps expired and were not renewed in October 2016 and the balance as of 30 June 2017 was nil (30 June 2016: £1.1 million).

# Mizzen Mezzco Limited

## Consolidated Cash Flow Statement

(£ in millions)	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Increase / (decrease)
	(unaudited)	(unaudited)	(unaudited)
Net cash inflow/(outflow) from operating activities.....	68.8	19.0	49.8
Net cash inflow/(outflow) from investing activities.....	(2.3)	(5.4)	3.1
<b>Net cash (outflow) before financing.....</b>	<b>66.5</b>	<b>13.6</b>	<b>52.9</b>
Net cash inflow/(outflow) from financing activities.....	(36.9)	1.1	(38.0)
Effects of foreign exchange.....	-	1.8	(1.8)
<b>Increase/(decrease) in cash.....</b>	<b>29.6</b>	<b>16.5</b>	<b>13.1</b>

  

(£ in millions)	For the quarter ended 30 June 2017	For the quarter ended 30 June 2016	Increase / (decrease)
	(unaudited)	(unaudited)	(unaudited)
Net cash inflow/(outflow) from operating activities.....	(21.9)	(49.4)	27.5
Net cash inflow/(outflow) from investing activities.....	(1.3)	(2.5)	1.2
<b>Net cash (outflow) before financing.....</b>	<b>(23.2)</b>	<b>(51.9)</b>	<b>28.7</b>
Net cash inflow/(outflow) from financing activities.....	45.8	38.9	6.9
Effects of foreign exchange.....	(0.8)	0.9	(1.7)
<b>Increase/(decrease) in cash.....</b>	<b>21.8</b>	<b>(12.1)</b>	<b>33.9</b>

### Cash inflow/(outflow) from operating activities

Cash inflow from operating activities for the six months ended 20 June 2017 increased by £49.8 million to £68.8 million inflow (H1 2016: inflow £19.0 million), primarily due to reduced working capital requirements of £58.4 million. The increase in cash inflow from working capital is due to customer and other receivables of £84.1 million and a decrease in producer payables of £25.7 million.

Cash outflow from operating activities for the quarter decreased by £27.5 million to £21.9 million outflow for the quarter ended 30 June 2017 (Q2 2016: outflow £49.4 million), primarily due to reduced working capital requirements of £27.9 million. The increase in cash inflow from working capital is primarily due to customer receivables of £48.6 million and a decrease in Trade creditors of £20.7 million.

### Cash inflow/(outflow) from investing activities

Cash outflow from investing activities for the six months ended 30 June 2017 was at £2.3 million, which is £3.1 million lower than the six months ended 30 June 2016. The outflow represents capital spending,

Cash outflow from investing activities for the quarter ended 30 June 2017 was at £1.3 million, which is £1.2 million lower than the quarter ended 30 June 2016. The outflow in both quarters represents capital spending.

# Mizzen Mezzco Limited

## Consolidated Cash Flow Statement (continued)

### Cash inflow/(outflow) from financing activities

Cash outflow from financing activities increased by £38.0 million, from an inflow of £1.1 million for the six months ended 30 June 2016 to an outflow of £36.9 million for the 6 months ended 30 June 2017. The increase in cash outflow is due to a reduction in the securitisation loan in line with the receivable book in the first half of 2017 compared to the first half of 2016 which had no significant movement in the securitisation loan.

Cash inflow from financing activities increased by £6.9 million, from an inflow of £38.9 million for the quarter ended 30 June 2016 to £45.8 million due to a decrease in the securitisation loan for the period in line with the decrease in the receivable book.

# Mizzen Mezzco Limited

## Description of Certain Financing Arrangements

### 1. Securitisation Facility

#### Background

As previously described the “Condensed Consolidated Quarterly Financial Information (Unaudited”, dated 27 May 2017 (Q1 Report”).

- Premium Credit Limited (“PCL”) originally entered into a series of agreements on October 31, 2012, as amended from time to time thereafter, to establish a securitisation facility (the “**Original Securitisation Facility**”) pursuant to the Original Securitisation Facility, certain amounts owing to PCL by its customers (“Receivables”) and any related rights (the “**Securitized Assets**”) were sold and assigned to PCL Funding I Limited, a special purpose vehicle established for the purposes of such Original Securitisation Facility (the “**VFN Issuer**”); and
- in December 2016, PCL and the other parties entered into certain amendments to the Original Securitisation Facility (thereafter, the “**Amended Securitisation Facility**”).

Pursuant to the Amended Securitisation Facility, amongst other things, PCL Asset Trustee Limited (the “**Asset Trustee**”), acquires Securitized Assets from PCL and the Asset Trustee holds the purchased Securitized Assets on trust (the “**Asset Trust**”) for the persons that make a contribution thereto.

#### Series 2017-1 Transaction

One of the key features of the Amended Securitisation Facility is that it facilitates the issuance of additional note series and the issuer of that note series may use the issuance proceeds to make a contribution to the Asset Trust. Accordingly, PCL elected to pursue the issuance of an additional note series and completed its first public issuance on 13 June 2017 (the “**Series 2017-1 Transaction**”).

Pursuant to the Series 2017-1 Transaction, a newly incorporated special purpose vehicle, PCL Funding II Plc, (the “**Series 2017-1 Issuer**”) issued £254,250,000 Series 2017-1 Class A Floating Rate Asset-Backed Notes due 2022 (the “**Series 2017-1 Class A Notes**”), £16,500,000 Series 2017-1 Class B Floating Rate Asset-Backed Notes due 2022 (the “**Series 2017-1 Class B Notes**”), £11,250,000 Series 2017-1 Class C Floating Rate Notes due 2022 (the “**Series 2017-1 Class C Notes**”) and together with and, together with the Series 2017-1 Class A Notes and the Series 2017-1 Class B Notes, the “**Rated Notes**”) and £18,000,000 Series 2017-1 Class D Notes due 2022 (the “**Series 2017-1 Class D Notes**”) and together with the Rated Notes, the “**Series 2017-1 Notes**”).

The Rated Notes are listed on the Irish Stock Exchange and were placed with third parties. The Series 2017-1 Class D Notes are not listed or rated and were subscribed for by PCL.

In addition, the Series 2017-1 Issuer issued a variable funding Excess Concentration Note (the “**ECN**”) to the PCL ITN Issuer I Limited to fund excess concentration amounts related to the Series 2017-1 Issuer’s beneficial interest in the Asset Trust. As also referenced in the Q1 Report, the ECN facility provides liquidity protection from excess concentrations resulting from the merger of brokers/insurers or the loss of a material element of the PL&S book.

The Series 2017-1 Issuer used the proceeds from the issuance of the Series 2017-1 Notes to make a cash contribution to the Asset Trust.

# Mizzen Mezzco Limited

## Description of Certain Financing Arrangements

### Amendments to the VFN Transaction

As more fully described in the Q1 Report, the terms of variable funding notes (the “**VFNs**”) issued by the VFN Issuer to certain financial institutions (or commercial paper conduits administered by financial institutions) (each, a “**Securitisation Note Purchaser**”) were also amended in December 2016.

On 8 August 2017, the VFN Issuer and the parties to the VFN documents agreed to make further amendments thereto which included, amongst other things (a) an extension of the term of such facility, (b) a reduction of the aggregate limit of VFNs (if fully drawn) to £850 million to take into account the additional funding made available by the Series 2017-1 Transaction, (c) a reduction of the interest and unused fees applicable to the VFNs and (d) removal of certain of the Securitisation Note Purchasers and addition of new Securitisation Note Purchasers.

### 2. Senior Notes

The issuer of the 7% Senior Notes is the group company Mizzen Bondco Ltd, an exempted company incorporated with limited liability under the laws of the Cayman Islands. 7% Senior Notes totalling £200 million in aggregate were issued on 8 May 2014 (the “Notes”), with a maturity date of 1st May 2021. On 27 February 2015, £10.6 million of the Senior Notes were redeemed at a premium of 7%. The Notes are fully and unconditionally guaranteed on a senior basis by the Parent Guarantor and the Subsidiary Guarantor.

# Mizzen Mezzco Limited

## Consolidated Financial Statements

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**Mizzen Mezzco Limited**

**Mizzen Mezzco Limited**

**Report and Financial Statements**

**(Unaudited)**

**Quarter ended 30 June 2017**

**Registered number - 08179245**

# Mizzen Mezzco Limited

## Consolidated income statement

	Note	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Interest income		59,377	58,003	120,098
Interest expense		(7,789)	(9,450)	(20,403)
<b>Net interest income</b>	3	<b>51,588</b>	<b>48,553</b>	<b>99,695</b>
Fee and commission income		8,270	9,485	18,725
Fee and commission expense		(2,065)	(2,688)	(6,070)
Gain/(loss) on derivative financial instruments		-	336	1,472
<b>Total income</b>		<b>57,793</b>	<b>55,686</b>	<b>113,822</b>
Administrative expenses		(32,270)	(21,966)	(52,118)
<b>Operating profit before taxation</b>		<b>25,523</b>	<b>33,720</b>	<b>61,704</b>
Financing income	4	4	-	12
Financing expense	5	(7,327)	(7,327)	(14,654)
<b>Profit / (loss) before taxation</b>		<b>18,200</b>	<b>26,393</b>	<b>47,062</b>
Income tax credit/(expense)		3,135	929	(3,292)
<b>Profit/(loss) for the period</b>		<b>21,335</b>	<b>27,322</b>	<b>43,770</b>

## Consolidated statement of comprehensive income

	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
<b>Profit/(loss) after tax for the period</b>	<b>21,335</b>	<b>27,322</b>	<b>43,770</b>
<b>Other comprehensive income</b>			
<b>Items that may subsequently be reclassified to the profit or loss:</b>			
Foreign currency translation gain/(losses)	563	1,752	2,087
<b>Other comprehensive income/(expense) for the period</b>	<b>563</b>	<b>1,752</b>	<b>2,087</b>
<b>Total comprehensive income/ (expense) for the period</b>	<b>21,898</b>	<b>29,074</b>	<b>45,857</b>

# Mizzen Mezzco Limited

## Consolidated balance sheet

	Note	30 June 2017 (unaudited) £'000	30 June 2016 (unaudited) £'000	31 December 2016 (audited) £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	6	9,802	9,604	9,834
Property, plant and equipment	7	6,382	2,783	6,188
Loans and advances to customers	8	4,129	1,517	3,319
Prepayments and other assets		2,705	-	4,026
Deferred tax asset		471	423	471
<b>Total non-current assets</b>		<b>23,489</b>	<b>14,327</b>	<b>23,838</b>
<b>Current assets</b>				
Loans and advances to customers	8	1,407,775	1,441,546	1,496,840
Prepayments and other assets		9,515	8,971	5,895
Cash and cash equivalents	9	80,611	64,442	51,013
<b>Total current assets</b>		<b>1,497,901</b>	<b>1,514,959</b>	<b>1,553,748</b>
<b>Total assets</b>		<b>1,521,390</b>	<b>1,529,286</b>	<b>1,577,586</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings	10	1,134,997	1,137,050	1,172,091
Trade and other payables		9,559	9,559	9,559
<b>Total non-current liabilities</b>		<b>1,144,556</b>	<b>1,146,609</b>	<b>1,181,650</b>
<b>Current liabilities</b>				
Trade and other payables		394,500	406,888	435,500
Derivative financial instruments		-	1,136	-
<b>Total current liabilities</b>		<b>394,500</b>	<b>408,024</b>	<b>435,500</b>
<b>Total liabilities</b>		<b>1,539,056</b>	<b>1,554,633</b>	<b>1,617,150</b>
<b>Equity</b>				
Called up share capital	11	44,502	44,502	44,502
Retained earnings		(64,136)	(70,919)	(85,471)
Other reserves		1,968	1,070	1,405
<b>Total shareholders' equity</b>		<b>(17,666)</b>	<b>(25,347)</b>	<b>(39,564)</b>
<b>Total liabilities and equity</b>		<b>1,521,390</b>	<b>1,529,286</b>	<b>1,577,586</b>

# Mizzen Mezzco Limited

## Consolidated statement of changes in equity

	Share capital (unaudited) £'000	Retained earnings (unaudited) £'000	Other reserves (unaudited) £'000	Total equity (unaudited) £'000
<b>At 31 December 2015 and 1 January 2016</b>	<b>44,502</b>	<b>(98,241)</b>	<b>(682)</b>	<b>(54,421)</b>
Profit for the period	-	27,322	-	27,322
Foreign currency translation gain	-	-	1,752	1,752
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>27,322</b>	<b>1,752</b>	<b>29,074</b>
<b>At 30 June 2016 and 1 July 2016</b>	<b>44,502</b>	<b>(70,919)</b>	<b>1,070</b>	<b>(25,347)</b>
Profit for the period	-	16,448	-	16,448
Foreign currency translation gain	-	-	335	335
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>16,448</b>	<b>335</b>	<b>16,783</b>
<b>Transactions with owners</b>				
Dividends paid	-	(31,000)	-	(31,000)
<b>At 31 December 2016 and 1 January 2017</b>	<b>44,502</b>	<b>(85,471)</b>	<b>1,405</b>	<b>(39,564)</b>
Profit for the period	-	21,335	-	21,335
Foreign currency translation gain	-	-	563	563
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>21,335</b>	<b>563</b>	<b>21,898</b>
<b>At 30 June 2017</b>	<b>44,502</b>	<b>(64,136)</b>	<b>1,968</b>	<b>(17,666)</b>

# Mizzen Mezzco Limited

## Consolidated cash flow statement

	Note	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
<b>Operating activities</b>				
Cash generated by operations	13	89,679	34,556	45,038
Interest paid		(20,399)	(15,583)	(29,996)
Income taxes paid		(432)	-	(1,789)
<b>Cash flows generated from operating activities</b>		<b>68,848</b>	<b>18,973</b>	<b>13,253</b>
<b>Cash flows used in investing activities</b>				
Purchase of intangible fixed assets		-	(5,407)	(7,232)
Purchase of property, plant and equipment		(2,338)	-	(4,612)
<b>Net cash used in investing activities</b>		<b>(2,338)</b>	<b>(5,407)</b>	<b>(11,844)</b>
<b>Cash flows from financing activities</b>				
Increase in borrowings		-	-	35,171
Decrease in borrowings		(36,940)	1,637	-
Facility fees paid		-	(500)	(3,375)
Dividends paid to shareholders		-	-	(31,000)
<b>Net cash flows generated/(used) from / (in) financing activities</b>		<b>(36,940)</b>	<b>1,137</b>	<b>796</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>29,570</b>	<b>14,703</b>	<b>2,205</b>
Cash and cash equivalents at beginning of period		51,013	47,987	47,987
Foreign currency translation gain/(loss)		28	1,752	821
<b>Cash and cash equivalents at end of period</b>	9	<b>80,611</b>	<b>64,442</b>	<b>51,013</b>

# Mizzen Mezzco Limited

## Selected notes to the financial statements

### 1. General information

The condensed financial statements for the six months ended 30 June 2017 and for the six months ended 30 June 2016 have not been audited, as defined in section 434 of the Companies Act 2006.

Mizzen Mezzco Limited ("the Company"), and its subsidiaries (together "the Group"), is a financial services group specialising in funding and payment processing solutions. The Company is incorporated and domiciled in the UK. The Group has a branch in Ireland.

### 2. Accounting policies

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) as endorsed by the European Union (EU), and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments at fair value.

The condensed interim financial statements have been prepared on the basis of the accounting policies set out in the Annual Report and Financial Statements of the Group for the year ending 31 December 2016, with the exception of income tax which is accrued based on the estimated average annual effective tax rate for the year.

#### Going concern basis

The Group has a strong diversified funding base through the issue in 2014 of a high yield corporate bond to professional investors. In December 2016, the Master Trust facility structure was put in place which became effective 2 February 2017, replacing the existing securitisation facility. This provides access to the same sources of funding as under the securitisation facility, plus funding for an excess concentration series. In June 2017 the Company completed its inaugural issuance of term asset backed notes from the Mater Trust structure ("Public ABS transaction") which allowed access to public Asset-backed security (ABS) funding.

Accordingly, the Directors have assessed the Group's cash flow forecasts and are satisfied that the Group has adequate resources to continue operations for the foreseeable future and thus the financial statements have been prepared on a going concern basis.

### 3. Net interest income

	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Interest income on loans and advances to customers	59,377	58,003	120,098
Interest payable on: Hedged securitisation loan notes	(7,789)	(9,450)	(20,403)
Interest expense	(7,789)	(9,450)	(20,403)
Net interest income	51,588	48,553	99,695

# Mizzen Mezzco Limited

## Selected notes to the financial statements (continued)

### 4. Financing income

	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Interest income from Group undertakings	4	-	12
<b>Financing income</b>	<b>4</b>	<b>-</b>	<b>12</b>

### 5. Financing expense

	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Interest payable on Senior loan notes	7,327	7,327	14,654
<b>Financing expense</b>	<b>7,327</b>	<b>7,327</b>	<b>14,654</b>

### 6. Intangible assets

	Assets under construction (unaudited) £'000	Software (unaudited) £'000	Total (unaudited) £'000
<b>Cost</b>			
<b>At 31 December 2015</b>	<b>3,830</b>	<b>2,529</b>	<b>6,359</b>
Additions	5,093	-	5,093
Disposals	(21)	-	(21)
Transfers	(1,977)	1,977	-
<b>At 30 June 2016</b>	<b>6,925</b>	<b>4,506</b>	<b>11,431</b>
Additions	2,160	-	2,160
Disposals	-	(1,164)	(1,164)
Transfers	(2,974)	2,974	-
<b>At 31 December 2016</b>	<b>6,111</b>	<b>6,316</b>	<b>12,427</b>
Additions	1,648	-	1,648
Disposals	-	(1,359)	(1,359)
Transfers	(5,761)	5,761	-
<b>At 30 June 2017</b>	<b>1,998</b>	<b>10,718</b>	<b>12,716</b>
<b>Accumulated amortisation</b>			
<b>At 31 December 2015</b>	<b>-</b>	<b>1,288</b>	<b>1,288</b>
Charge for the period	-	539	539
<b>At 30 June 2016</b>	<b>-</b>	<b>1,827</b>	<b>1,827</b>
Charge for the period	-	1,053	1,053
Impairment	-	877	877
Disposals	-	(1,164)	(1,164)
<b>At 31 December 2016</b>	<b>-</b>	<b>2,593</b>	<b>2,593</b>
Charge for the period	-	1,680	1,680
<b>Disposals</b>	<b>-</b>	<b>(1,359)</b>	<b>(1,359)</b>
<b>At 30 June 2017</b>	<b>-</b>	<b>2,914</b>	<b>2,914</b>
<b>Net book value</b>			
<b>At 31 December 2015</b>	<b>3,830</b>	<b>1,241</b>	<b>5,071</b>
<b>At 30 June 2016</b>	<b>6,925</b>	<b>2,679</b>	<b>9,604</b>
<b>At 31 December 2016</b>	<b>6,111</b>	<b>3,723</b>	<b>9,834</b>
<b>At 30 June 2017</b>	<b>1,998</b>	<b>7,804</b>	<b>9,802</b>

# Mizzen Mezzco Limited

## Selected notes to the financial statements (continued)

### 7. Property, plant and equipment

	Leasehold improvements (unaudited) £'000	Leasehold offices (unaudited) £'000	Vehicles and equipment (unaudited) £'000	Total (unaudited) £'000
<b>Cost</b>				
<b>At 31 December 2015</b>	<b>1,830</b>	<b>4,100</b>	<b>11,242</b>	<b>17,172</b>
Additions	-	-	314	314
<b>At 30 June 2016</b>	<b>1,830</b>	<b>4,100</b>	<b>11,556</b>	<b>17,486</b>
Additions	2,726	-	1,572	4,298
Disposals	(1,830)	(4,100)	(217)	(6,147)
<b>At 31 December 2016</b>	<b>2,726</b>	<b>-</b>	<b>12,911</b>	<b>15,637</b>
Additions	64	-	1,213	1,277
Disposals	(3)	-	(583)	(586)
<b>At 30 June 2017</b>	<b>2,787</b>	<b>-</b>	<b>13,541</b>	<b>16,328</b>
<b>Accumulated depreciation</b>				
<b>At 31 December 2015</b>	<b>1,830</b>	<b>3,966</b>	<b>7,947</b>	<b>13,743</b>
Charge for the period	-	120	840	960
<b>At 30 June 2016</b>	<b>1,830</b>	<b>4,086</b>	<b>8,787</b>	<b>14,703</b>
Charge for the period	9	14	856	879
Disposals	(1,830)	(4,100)	(203)	(6,133)
<b>At 31 December 2016</b>	<b>9</b>	<b>-</b>	<b>9,440</b>	<b>9,449</b>
Charge for the period	127	-	959	1,086
Disposals	(6)	-	(583)	(589)
<b>At 30 June 2017</b>	<b>130</b>	<b>-</b>	<b>9,816</b>	<b>(9,946)</b>
<b>Net book value</b>				
<b>At 31 December 2015</b>	<b>-</b>	<b>134</b>	<b>3,295</b>	<b>3,429</b>
<b>At 30 June 2016</b>	<b>-</b>	<b>14</b>	<b>2,769</b>	<b>2,783</b>
<b>At 31 December 2016</b>	<b>2,717</b>	<b>-</b>	<b>3,471</b>	<b>6,188</b>
<b>At 30 June 2017</b>	<b>2,657</b>	<b>-</b>	<b>3,725</b>	<b>6,382</b>

### 8. Loans and advances to customers

	30 June 2017 (unaudited) £'000	30 June 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Gross loans and advances to customers	1,416,670	1,447,562	1,505,996
Less: allowance for impairment	(4,766)	(4,499)	(5,837)
<b>Net loans and advances to customers</b>	<b>1,411,904</b>	<b>1,443,063</b>	<b>1,500,159</b>
Split as:			
Current	1,407,775	1,441,546	1,496,840
Non-current	4,129	1,517	3,319

# Mizzen Mezzco Limited

## Selected notes to the financial statements (continued)

### 9. Cash and cash equivalents

	30 June 2017 (unaudited) £'000	30 June 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Bank balances	<u>80,611</u>	<u>64,442</u>	<u>51,013</u>

The currency profile of cash and cash equivalents is as follows:

	30 June 2017 (unaudited) £'000	30 June 2016 (unaudited) £'000	31 December 2016 (audited) £'000
GBP	74,077	60,751	44,235
USD	2,869	643	1,660
EUR	3,665	3,048	5,118
<b>Total cash and cash equivalents</b>	<u>80,611</u>	<u>64,442</u>	<u>51,013</u>

The external credit rating of our banking counter parties are:

	30 June 2017 (unaudited) £'000	30 June 2016 (unaudited) £'000	31 December 2016 (audited) £'000
AA-	79,837	64,088	48,639
A+	774	-	775
BBB+	-	-	57
BBB	-	-	1,542
BBB-	-	354	-
<b>Total cash and cash equivalents</b>	<u>80,611</u>	<u>64,442</u>	<u>51,013</u>

Cash and cash equivalents include encumbered cash balances held by entities within the Master Trust. The table below summarises the total assets that are capable of supporting future funding and collateral needs and shows the extent to which these assets are currently pledged for this purpose.

	30 June 2017 (unaudited) £'000	30 June 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Encumbered	17,058	11,353	21,154
Unencumbered	63,553	53,089	29,859
<b>Total cash and cash equivalents</b>	<u>80,611</u>	<u>64,442</u>	<u>51,013</u>

# Mizzen Mezzco Limited

## Selected notes to the financial statements (continued)

### 10. Borrowings

	30 June 2017 (unaudited) £'000	30 June 2016 (unaudited) £'000	31 December 2016 (audited) £'000
<b>Non-current</b>			
Securitisation notes	951,064	954,512	988,856
Senior secured loan notes	183,933	182,538	183,235
	<u>1,134,997</u>	<u>1,137,050</u>	<u>1,172,091</u>

#### Securitisation notes

Securitisation notes are issued by PCL Funding I Limited, an SPV, under a revolving sterling facility maturing on 15 December 2019. On 8 August 2017 it was agreed to reduce the facility from £ 1,150.0 million to £850 million and extended to 10 August 2020.

In June 2017, an initial public issuance was launched via a new SPV, PCL Funding II, a three year £300 million revolving period facility, consisting of "A", "B" and "C" Notes rated by Moody's and DBRS and unrated "D" Notes, with an amortisation date of 15 June 2020.

Senior secured loan notes	Maturity date	30 June 2017 (unaudited) £'000	30 June 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Fixed rate corporate bond - issued 5 May 2014	2021	183,933	182,538	183,235

Interest is payable on the bond at a fixed rate of 7% per annum until maturity. The bond, issued by Mizzen Bondco Limited, is listed on the Irish Stock Exchange and secured by a fixed charge over certain Group assets. Debt securities are classified as non-current at the period end and are stated net of unamortised bond set-up costs.

### 11. Called up share capital

	30 June 2017 (unaudited) £'000	30 June 2016 (unaudited) £'000	31 December 2016 (audited) £'000
<b>Allotted and fully paid</b>			
32,921,166 Ordinary shares of £1	32,921	32,921	32,921
11,581,089 Preference shares of £1	11,581	11,581	11,581
	<u>44,502</u>	<u>44,502</u>	<u>44,502</u>

# Mizzen Mezzco Limited

## Selected notes to the financial statements (continued)

### 12. Debt and equity

The debt and equity amounts for the Group were as follows:

£'000	30 June 2017 (unaudited) £'000	30 June 2016 (unaudited) £'000	31 December 2016 (audited) £'000
<b>Debt</b>			
Securitisation notes	951,064	954,512	988,856
Senior loan notes	183,933	182,538	183,235
Amounts owed to Group undertakings	10,690	10,818	10,908
Less: unencumbered cash	(63,553)	(53,089)	(29,859)
<b>Net debt</b>	<b>1,082,134</b>	<b>1,094,779</b>	<b>1,153,140</b>
<b>Equity</b>			
Total equity	(17,666)	(25,347)	(39,564)

### 13. Cash inflow from operating activities

	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
<b>Profit/(loss) before taxation</b>	<b>18,200</b>	<b>26,393</b>	<b>47,062</b>
<b>Non cash items included in operating profit before taxation</b>			
Loan impairment charges	2,871	2,762	6,658
Depreciation and amortisation	2,178	1,499	3,431
Impairment of intangible assets	-	-	877
Loss on disposal of fixed assets	-	21	14
Finance costs - net	20,623	16,777	35,057
Fair value movements - swap	-	(336)	(1,472)
<b>Non cash items included in operating profit before taxation</b>	<b>25,672</b>	<b>20,723</b>	<b>44,565</b>
<b>Changes in operating assets and liabilities</b>			
Net movement in loans and advances to customers	85,918	3,913	(55,813)
Net movement in trade and other payables	(34,934)	(13,897)	10,344
Net movement in prepayments and other receivables	(5,177)	(2,576)	(1,120)
<b>Changes in operating assets and liabilities</b>	<b>45,807</b>	<b>(12,260)</b>	<b>(46,589)</b>
<b>Cash flows from operating activities</b>	<b>89,679</b>	<b>34,556</b>	<b>45,038</b>