Mizzen Mezzco Limited

Condensed Consolidated Interim Financial Statements (Unaudited)

Mizzen Mezzco Limited

Period ended 30 September 2017

Premium Credit is the No.1 Insurance Financing Company in the UK and Ireland

Mizzen Mezzco Limited

Registered Number: 08179245

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Financial Results

Financial Data (£ in millions, except percentages and ratios)	For the nine months ended 30 September 2017 (unaudited)	For the nine months ended 30 September 2016 (unaudited)	Increase/ (Decrease) (unaudited)
Net Advances[a]	2,667.7	2,743.4	(75.7)
Turnover	98.9	98.3	0.6
EBITDA	54.9	60.8	(5.9)
Adjusted EBITDA[b]	64.4	64.6	(0.2)
Adjusted EBITDA Margin[b]	65.1%	65.7%	(0.6)%
Adjusted Post-Securitisation EBITDA[c]	54.1	51.7	2.4
Adjusted Post-Securitisation EBITDA Margin[c]	54.7%	52.6%	2.1%
Cash Conversion[d]	93.9%	85.7%	8.2%
Profit before tax	25.5	37.6	(12.1)

Financial Data (£ in millions, except percentages and ratios)	For the quarter ended 30 September 2017 (unaudited)	For the quarter ended 30 September 2016 (unaudited)	Increase/ (Decrease) (unaudited)
Net Advances[a]	980.4	1,026.3	(45.9)
Turnover	33.3	33.5	(0.2)
EBITDA	18.3	20.0	(1.7)
Adjusted EBITDA[b]	21.9	22.0	(0.1)
Adjusted EBITDA Margin[b]	65.8%	65.7%	0.1%
Adjusted Post-Securitisation EBITDA[c]	18.5	17.5	1.0
Adjusted Post-Securitisation EBITDA Margin[c]	55.6%	52.2%	3.4%
Cash Conversion[d]	94.6%	88.6%	6.0%
Profit before tax	7.3	11.3	(4.0)

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

Results for the nine months ended 30 September 2017

Net advances for the first nine months of 2017 were £2,667.7 million, 2.8% lower than the same period last year (nine months ended 30 September 2016: £2,743.4 million) due to consolidation in the broker market and lower new business volumes from some of our retail brokers being impacted by wider macro-economic factors. Adjusting for the impact of market consolidation, our net advances for the nine months to September have increased by 0.7%, when compared to the same period last year.

- EBITDA decreased by £5.9 million or 9.7% to £54.9 million in the nine months ended 30 September 2017 (nine months ended 30 September 2016: £60.8 million). The key elements of this were:-
    - An increase in one-time IT expenditure of £5.7 million to £9.2 million for the nine months ended 30 September 2017 (nine months ended 30 September 2016: £3.5 million). This expenditure represents a considerable investment in the business's customer journeys and operating efficiency. Our objective is to deliver significant improvements in our operating leverage in the near term from these initiatives.
    - An increase in group turnover of £0.6 million, or 0.6%, to £98.9 million for the nine months ended 30 September 2017 (nine months ended 30 September 2016: £98.3 million), despite lower net advances. A positive mix change was partially offset by a reduction in cost recovery fees.

Financial Results

- A reduction in net credit losses including provisions of £0.6 million to £3.7 million for the nine months ended 30 September 2017 (nine months ended 30 September 2016: £4.3 million). This is driven by a provision release due to reduction in the termination rate, and our strong collections, offsetting increased credit losses from a single DDMS intermediary.
- An increase in Operating expenses of £1.4 million to £30.8 million or 4.7% for the nine months ended 30 September 2017 (nine months ended 30 September 2016: £29.4 million), due to incremental staff and facilities costs as we invest in the future growth of the Group.

- Adjusted EBITDA was relatively flat at £64.4 million for the nine months ended 30 September 2017 (nine months ended 30 September 2016: £64.6 million). Adjusted EBITDA shows the performance of the business with the impact of one-time IT expenditure removed.
- Adjusted Post-Securitisation EBITDA increased by £2.4 million or 4.6% to £54.1 million, primarily due to lower funding costs resulting from the public ABS programme, the expiry of the interest rate hedge at the end of October 2016 and the reduction in LIBOR driven by the 25bps decrease in base rate in August 2016.

Cash conversion for the nine months ended 30 September 2017 was 93.9%, which was up by 8.2% over the prior year, as our free cash flow increased by £6.5 million due to growth in Adjusted post securitisation EBITDA of £2.4 million and lower capital projects spending of £4.1 million.

Profit before taxation for the nine months ended 30 September 2017 was £25.5 million, 32.2% lower than the same period last year (nine months ended 30 September 2016: £37.6 million).

Results for the quarter ended 30 September 2017

The results for the quarter are driven by the same factors impacting our year to date performance.

Net advances for the quarter ended 30 September 2017 were £980.4 million, 4.5% lower than the same period last year (Q3 2016: £1,026.3 million).

- EBITDA decreased by £1.7 million or 8.5% to £18.3 million in the quarter ended 30 September 2017 (Q3 2016: £20.0 million). The key elements of this were:-
    - A decrease in group turnover of £0.2 million, or 0.6% to £33.3 million for the quarter ended 30 September 2017 (Q3 2016: £33.5 million) due to lower net advances.
    - A reduction in net credit losses including provision movements of £0.7 million for the quarter ended 30 September 2017 to £0.9 million (Q3 2016: £1.6 million) due to lower termination rates.
    - An increase in Operating expenses of £0.6 million to £10.5 million, or 6.0% for the quarter ended 30 September 2017 (Q3 2016: £9.9 million).
    - An increase in one-time IT expenditure of £1.6 million to £3.5 million for the quarter ended 30 September 2017 (Q3 2016: £1.9 million).

- Adjusted EBITDA was relatively flat to £21.9 million for the quarter ended 30 September 2017 (Q3 2016: £22.0 million).
- Adjusted post-securitisation EBITDA increased by £1.0 million or 5.7% to £18.5 million (Q3 2016: £17.5 million).

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Financial Results

Cash conversion for the quarter ended 30 September 2017 was 94.6%, which was up by 6.0% over Q3 2016, as our free cash flow increased by £2.0 million due to growth in Adjusted Post-Securitisation EBITDA of £1.0 million and lower capital projects spending of £1.0 million.

Profit before taxation for the quarter ended 30 September 2017 was £7.3 million, 35.7% lower than the same period last year (Q3 2016: £11.3 million).

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

"The Group has continued to deliver steady financial performance in the first nine months of 2017, with Adjusted Post-Securitisation EBITDA of £54.1 million, an increase of 4.6% year on year.

We have continued to invest in the future of our business in terms of the people, facilities, processes and our technology offering. This investment is on track to deliver significant improvements in our operating efficiency.

Following the successful settlement of our inaugural public ABS transaction, we are pleased to be settling our second transaction today, allowing us to continue our programme of funding diversification. In the end, the deal priced at the tight end of our initial pricing thoughts. We are delighted with the successful second issuance for our Master Trust Structure.

While we are disappointed in the reduction in our net advances, the business remains confident of its medium-term trajectory, with the roll out of our new point of payment platforms, which we expect to increase the take up of Insurance Premium Finance with existing intermediaries and a healthy new business pipeline into 2018 and beyond.

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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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 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. 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.

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.

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Use of Non-IFRS Financial Measures (continued)

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.

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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

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

The Board of Directors would like to thank Jasan for his significant contribution to the Group.

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.

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").

After establishing the Master Trust structure, the business is committed to an annual issuance program of three-year public notes subject to market conditions, allowing it to diversify its funding whilst mitigating refinancing risk. Considering the favourable issuance conditions and the successful placement of our inaugural trade, we have decided to optimise our funding plan and bring forward issuance planned for 2018 into Q4 this year. We expect some headwinds in macro-economic (e.g. Brexit, tightening monetary policy) and technical (the cessation of the BoE's Term Funding Scheme (TFS)) factors in 2018. We have extended the life of the notes to 3.6 years, which allows us to maintain a full year's staggering between the step / call of the 2017-1 and 2017-2, and de-risk the 2018 issuance.

Management Discussion and Analysis – Business Review (continued)

Risks

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 for the year ended 31 December 2016. 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. By the end of H1 2018, we will be enhancing our approach to affordability in line with FCA guidance. 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

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 platforms ('EPICC' & 'FITS'), which are online payment gateways that allow our intermediaries to offer their clients a choice in how to pay for their insurance premiums, memberships and fees, presented in a consistent, secure and compliant manner.

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Management Discussion and Analysis – Financial Review

Key Performance Indicators

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

(in millions)	For the nine months ended 30 September 2017	For the nine months ended 30 September 2016	Increase / (Decrease)
Net Advances[a]	£2,667.7	£2,743.4	(£75.7)
Number of non-cancelled Agreements[b]	1.67	1.94	(0.27)
Number of direct debits processed[c]	21.14	22.47	(1.33)

(in millions)	For the quarter ended 30 September 2017	For the quarter ended 31 September 2016	Increase / (Decrease)
Net Advances[a]	£980.4	£1026.3	(£45.9)
Number of non-cancelled Agreements[b]	0.56	0.67	(0.11)
Number of direct debits processed[c]	6.76	7.57	(0.81)

(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.

Other Financial Data

The table below shows the Group's other financial data for the period ended 30 September 2017 and 30 September 2016:

(£ in millions, except percentages and ratios)	For the period ended 30 September 2017 (unaudited)	For the period ended 30 September 2016 (unaudited)	Increase / (Decrease) (unaudited)
Adjusted Post-Securitisation EBITDA (Last 12 months)	71.1	69.0	2.1
Gross debt	189.4	189.4	-
Net debt [a]	149.4	118.4	31.0
Cash interest expense (excluding securitisation)	13.3	13.3	-
Ratio of gross debt to Adjusted Post-Securitisation EBITDA	2.7x	2.7x	-
Ratio of net debt to Adjusted Post-Securitisation EBITDA	2.1x	1.7x	0.4x
Ratio of Adjusted Post-Securitisation EBITDA to cash interest expense (excluding securitisation)	5.3x	5.2x	0.1x

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 £149.4 million represents total corporate borrowings (Senior Notes) of £189.4 million, less £40.0 million of Cash and Cash equivalents (which includes £2.5 million cash held in the SPV) as of 30 September 2017 (2016: £71.0 million of Cash and Cash equivalents, including £10.3 million cash held in SPV). This shows an increase of £31.0 million, against £118.4 million as of 30 September 2016 due to a decrease in Cash and Cash equivalents by £31.0 million, primarily due to the payment of a dividend of £14.6 million and a £9.6 million repayment of intercompany loan.

The Net debt to Adjusted Post-Securitisation EBITDA ratio of 2.1x for the period ended 30 September 2017 is worse by 0.4x versus the period ended 30 September 2016.

Management Discussion and Analysis – Financial Review (continued)

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 September 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 September 2017 is slightly better by 0.1x than for the twelve months ended 30 September 2016 of 5.2x.

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Management Discussion and Analysis – Financial Review (continued)

Reconciliation of Profit before Taxation to Adjusted Post-Securitisation EBITDA

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

(£ in millions)	For the nine months ended 30 September 2017 (unaudited)	For the nine months ended 30 September 2016 (unaudited)	Increase / (Decrease) (unaudited)
Profit/(loss) for the period before taxation	**25.5**	**37.6**	**(12.1)**
Interest payable and similar charges[a]	24.4	25.5	(1.1)
Depreciation and amortisation	4.4	2.5	1.9
Financing fees	1.7	1.3	0.4
Currency (gain)/loss	(1.2)	(5.1)	3.9
(Gain)/loss on revaluation of interest rate swap	-	(1.0)	1.0
EBITDA	**54.9**	**60.8**	**(5.9)**
Transaction costs[b]	0.3	0.3	-
One-time information technology and other expenses[c]	9.2	3.5	5.7
Adjusted EBITDA	**64.4**	**64.6**	**(0.2)**
Securitisation interest expense[d]	(10.3)	(12.9)	2.6
Adjusted Post-Securitisation EBITDA	**54.1**	**51.7**	**2.4**

a. Includes amortisation of financing costs of £3.1 million with respect to the Securitisation Facility and £1.0m with respect to Bond financing cost for the nine months ended 30 September 2017, whereas the nine months ended 30 September 2016 includes £1.6 million with respect to the Securitisation Facility and £1.1m 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 September 2017 (unaudited)	For the quarter ended 30 September 2016 (unaudited)	Increase / (Decrease) (unaudited)
Profit/(loss) for the period before taxation	**7.3**	**11.3**	**(4.0)**
Interest payable and similar charges[a]	9.3	8.7	0.6
Depreciation and amortisation	1.6	1.0	0.6
Financing fees	0.3	0.7	(0.4)
Currency (gain)/loss	(0.2)	(1.0)	0.8
(Gain)/loss on revaluation of interest rate swap	-	(0.7)	0.7
EBITDA	**18.3**	**20.0**	**(1.7)**
Transaction costs[b]	0.1	0.1	-
One-time information technology and other expenses[c]	3.5	1.9	1.6
Adjusted EBITDA	**21.9**	**22.0**	**(0.1)**
Securitisation interest expense[d]	(3.4)	(4.5)	1.1
Adjusted Post-Securitisation EBITDA	**18.5**	**17.5**	**1.0**

a. Includes amortisation of financing costs of £2.2 million with respect to the Securitisation Facility and £0.3m with respect to Bond financing cost for the quarter ended 30 September 2017, whereas the quarter ended 30 September 2016 includes £0.6 million with respect to the Securitisation Facility and £0.3m 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.

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Consolidated Condensed Interim Financial Statements

Consolidated income statement

	Note	Nine months ended 30 September 2017 (unaudited) £'000	Nine months ended 30 September 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Interest income		**89,365**	88,676	120,098
Interest expense		**(13,386)**	(14,474)	(20,403)
Net interest income	6	**75,979**	**74,202**	**99,695**
Fee and commission income		**12,279**	14,132	18,725
Fee and commission expense		**(2,785)**	(4,475)	(6,070)
Gain on derivative financial instruments		**-**	968	1,472
Total income		**85,473**	**84,827**	**113,822**
Administrative expenses		**(48,997)**	(36,192)	(52,118)
Operating profit before taxation		**36,476**	**48,635**	**61,704**
Financing income	7	**5**	-	12
Financing expense	8	**(10,990)**	(10,991)	(14,654)
Profit before taxation		**25,491**	**37,644**	**47,062**
Income tax expense	9	**(5,383)**	**(2,635)**	(3,292)
Profit for the period		**20,108**	**35,009**	**43,770**

Consolidated statement of comprehensive income

	Nine months ended 30 September 2017 (unaudited) £'000	Nine months ended 30 September 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Profit after tax for the period	**20,108**	**35,009**	**43,770**
Other comprehensive income			
Items that may subsequently be reclassified to the profit or loss:			
Foreign currency translation gain	**608**	2,312	2,087
Other comprehensive income for the period	**608**	**2,312**	**2,087**
Total comprehensive income for the period	**20,716**	**37,321**	**45,857**

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Consolidated balance sheet

	Note	30 September 2017 (unaudited) £'000	30 September 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Assets				
Non-current assets				
Intangible assets	10	**8,961**	10,373	9,834
Property, plant and equipment	11	**5,854**	3,001	6,188
Loans and advances to customers	12	**3,845**	2,526	3,319
Prepayments and other assets		**3,442**	-	4,026
Deferred tax asset		**471**	423	471
Total non-current assets		**22,573**	**16,323**	**23,838**
Current assets				
Loans and advances to customers	12	**1,543,813**	1,580,040	1,496,840
Prepayments and other assets		**6,185**	6,816	5,895
Cash and cash equivalents	13	**60,746**	72,231	51,013
Total current assets		**1,610,744**	**1,659,087**	**1,553,748**
Total assets		**1,633,317**	**1,675,410**	**1,577,586**
Liabilities				
Non-current liabilities				
Borrowings	14	**1,172,219**	1,185,274	1,172,091
Trade and other payables		**-**	9,559	9,559
Total non-current liabilities		**1,172,219**	**1,194,833**	**1,181,650**
Current liabilities				
Trade and other payables		**494,537**	497,173	435,500
Derivative financial instruments		**-**	504	-
Total current liabilities		**494,537**	**497,677**	**435,500**
Total liabilities		**1,666,756**	**1,692,510**	**1,617,150**
Equity				
Called up share capital	15	**44,502**	44,502	44,502
Retained earnings		**(79,954)**	(63,232)	(85,471)
Other reserves		**2,013**	1,630	1,405
Total shareholders' equity		**(33,439)**	**(17,100)**	**(39,564)**
Total liabilities and equity		**1,633,317**	**1,675,410**	**1,577,586**

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Consolidated statement of changes in equity

	Share capital £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
At 31 December 2015 and 1 January 2016 - audited	**44,502**	**(98,241)**	**(682)**	**(54,421)**
Profit for the period	-	35,009	-	**35,009**
Foreign currency translation gain	-	-	2,312	**2,312**
Total comprehensive income for the period	**-**	**35,009**	**2,312**	**37,321**
At 30 September 2016 and 1 October 2016 - unaudited	**44,502**	**(63,232)**	**1,630**	**(17,100)**
Profit for the period	-	8,761	-	**8,761**
Foreign currency translation gain	-	-	(225)	**(225)**
Total comprehensive income for the period	**-**	**8,761**	**(225)**	**8,536**
Transactions with owners				
Dividends paid	**-**	(31,000)	**-**	**(31,000)**
At 31 December 2016 and 1 January 2017 - audited	**44,502**	**(85,471)**	**1,405**	**(39,564)**
Profit for the period	-	20,108	-	**20,108**
Foreign currency translation gain	-	-	608	**608**
Total comprehensive income for the period	**-**	**20,108**	**608**	**20,716**
Transactions with owners				
Dividends paid	**-**	(14,591)	**-**	**(14,591)**
At 30 September 2017 and 1 October 2017 - unaudited	**44,502**	**(79,954)**	**2,013**	**(33,439)**

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Consolidated cash flow statement

	Note	Nine months ended 30 September 2017 (unaudited) £'000	Nine months ended 30 September 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Operating activities				
Cash generated by operations	18	71,496	6,931	45,038
Interest paid		(29,793)	(25,997)	(29,996)
Income taxes paid		(1,157)	-	(1,789)
Cash flows generated from operating activities		**40,546**	**(19,066)**	**13,253**
Cash flows used in investing activities				
Purchase of intangible fixed assets		(1,885)	(6,409)	(7,232)
Purchase of property, plant and equipment		(1,369)	(977)	(4,612)
Net cash used in investing activities		**(3,254)**	**(7,386)**	**(11,844)**
Cash flows from financing activities				
Increase in borrowings		-	-	35,171
Decrease in borrowings		(9,395)	48,884	-
Facility fees paid		(3,597)	(500)	(3,375)
Dividends paid to shareholders		(14,591)	-	(31,000)
Net cash flows (used)/generated (in)/from financing activities		**(27,583)**	**48,384**	**796**
Net increase in cash and cash equivalents		**9,709**	**21,932**	**2,205**
Cash and cash equivalents at beginning of period		51,013	47,987	47,987
Foreign currency translation gain		24	2,312	821
Cash and cash equivalents at end of period	13	**60,746**	**72,231**	**51,013**

Selected notes to the condensed interim financial statements

1. General information

The condensed financial statements for the nine months ended 30 September 2017 and for the nine months ended 30 September 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 condensed interim financial statements were approved for issue by the board of directors on 13 November 2017. These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The Annual Report and Accounts for the year ended 31 December 2016 was approved by the board of directors of the Group on 25 April 2017 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The directors have considered all new, revised or amended standards and interpretations which are mandatory for the first time for the year ending 31 December 2017, and concluded that none have any significant impact on these condensed interim financial statements. New, revised or amended standards and interpretations that are not yet effective have not been early adopted.

3. 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 Master 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 condensed interim financial statements have been prepared on a going concern basis.

4. Critical accounting estimates and judgments in applying accounting policies

The preparation of condensed interim financial statements require management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2016. These are summarised as:

(a) Loan impairment provisions
(b) Effective interest rate
(c) Development costs
(d) Impairment of assets
(e) Impairment of investment in subsidiaries
(f) Fair values estimation for financial instruments

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Selected notes to the condensed interim financial statements (continued)

5. Seasonality

The Group is not significantly impacted by seasonality trends.

6. Net interest income

	Nine months ended 30 September 2017 (unaudited) £'000	Nine months ended 30 September 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Interest income on loans and advances to customers	**89,365**	**88,676**	**120,098**
Interest payable on:			
Securitisation loan notes	(13,386)	(14,474)	(20,403)
Interest expense	**(13,386)**	**(14,474)**	**(20,403)**
Net interest income	**75,979**	**74,202**	**99,695**

7. Financing income

	Nine months ended 30 September 2017 (unaudited) £'000	Nine months ended 30 September 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Interest income from Group undertakings	5	-	12
Financing income	**5**	**-**	**12**

8. Financing expense

	Nine months ended 30 September 2017 (unaudited) £'000	Nine months ended 30 September 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Interest payable on Senior loan notes	10,990	10,991	14,654
Financing expense	**10,990**	**10,991**	**14,654**

9. Taxation

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the nine months ended 30 September 2017 is 21.1% (the estimated tax rate for the nine months ended 30 September 2016 was 7%).

Income tax has been restated from a tax credit of £1.6 million to a tax charge of £2.6 million for the nine months ended 30 September 2016 due to a restatement of an effective tax rate to be consistent with the effective tax rate used at 31 December 2016.

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Selected notes to the condensed interim financial statements (continued)

10. Intangible assets

	Assets under construction £'000	Software £'000	Total £'000
Cost			
At 31 December 2015 - audited	**3,830**	**2,529**	**6,359**
Additions	6,409	-	**6,409**
Disposals	(21)	-	**(21)**
Transfers	(5,172)	5,172	**-**
At 30 September 2016 - unaudited	**5,046**	**7,701**	**12,747**
Additions	844	-	**844**
Disposals	-	(1,164)	**(1,164)**
Transfers	221	(221)	**-**
At 31 December 2016 - audited	**6,111**	**6,316**	**12,427**
Additions	1,884	-	**1,884**
Disposals	-	(1,359)	**(1,359)**
Transfers	(6,091)	6,091	**-**
At 30 September 2017 - unaudited	**1,904**	**11,048**	**12,952**
Accumulated amortisation			
At 31 December 2015	**-**	**1,288**	**1,288**
Charge for the period	-	1,086	**1,086**
At 30 September 2016 - unaudited	**-**	**2,374**	**2,374**
Charge for the period	-	506	**506**
Impairment	-	877	**877**
Disposals	-	(1,164)	**(1,164)**
At 31 December 2016 - audited	**-**	**2,593**	**2,593**
Charge for the period	-	2,757	**2,757**
Disposals	-	(1,359)	(1,359)
At 30 September 2017 - unaudited	**-**	**3,991**	**3,991**
Net book value			
At 31 December 2015 - audited	**3,830**	**1,241**	**5,071**
At 30 September 2016 - unaudited	**5,046**	**5,327**	**10,373**
At 31 December 2016 - audited	**6,111**	**3,723**	**9,834**
At 30 September 2017 - unaudited	**1,904**	**7,057**	**8,961**

Selected notes to the condensed interim financial statements (continued)

11. Property, plant and equipment

	Leasehold improvements £'000	Leasehold offices £'000	Vehicles and equipment £'000	Total £'000
Cost				
At 31 December 2015 - audited	**1,830**	**4,100**	**11,242**	**17,172**
Additions	-	-	977	977
At 30 September 2016 - unaudited	**1,830**	**4,100**	**12,219**	**18,149**
Additions	2,726	-	909	3,635
Disposals	(1,830)	(4,100)	(217)	(6,147)
At 31 December 2016 - audited	**2,726**	**-**	**12,911**	**15,637**
Additions	130	-	1,240	1,369
Disposal	(3)	-	(617)	(619)
At 30 September 2017 - unaudited	**2,853**	**-**	**13,534**	**16,387**
Accumulated depreciation				
At 31 December 2015 - audited	**1,830**	**3,966**	**7,947**	**13,743**
Charge for the period	-	134	1,271	1,405
At 30 September 2016 - unaudited	**1,830**	**4,100**	**9,218**	**15,148**
Charge for the period	9	-	425	434
Disposals	(1,830)	(4,100)	(203)	(6,133)
At 31 December 2016 - audited	**9**	**-**	**9,440**	**9,449**
Charge for the period	195	-	1,475	1,670
Disposals	(3)	-	(583)	(586)
At 30 September 2017 - unaudited	**201**	**-**	**10,332**	**10,533**
Net book value				
At 31 December 2015 - audited	**-**	**134**	**3,295**	**3,429**
At 30 September 2016 - unaudited	**-**	**-**	**3,001**	**3,001**
At 31 December 2016 - audited	**2,717**	**-**	**3,471**	**6,188**
At 30 September 2017 - unaudited	**2,652**	**-**	**3,202**	**5,854**

12. Loans and advances to customers

	30 September 2017 (unaudited) £'000	30 September 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Gross loans and advances to customers	1,551,560	1,587,638	1,505,996
Less: allowance for impairment	(3,902)	(5,072)	(5,837)
Net loans and advances to customers	**1,547,658**	**1,582,566**	**1,500,159**
Split as:			
Current	1,543,813	1,580,040	1,496,840
Non-current	3,845	2,526	3,319

13. Cash and cash equivalents

	30 September 2017 (unaudited) £'000	30 September 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Bank balances	**60,746**	**72,231**	**51,013**

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

	30 September 2017 (unaudited) £'000	30 September 2016 (unaudited) £'000	31 December 2016 (audited) £'000
GBP	49,617	64,348	44,235
USD	2,711	2,120	1,660
EUR	8,418	5,763	5,118
Total cash and cash equivalents	**60,746**	**72,231**	**51,013**

The external credit rating of our banking counter parties are:

	30 September 2017 (unaudited) £'000	30 September 2016 (unaudited) £'000	31 December 2016 (audited) £'000
AA	-	72,087	-
AA-	59,926	-	48,639
A+	755	-	775
BBB+	65	-	57
BBB	-	-	1,542
BBB-	-	144	-
Total cash and cash equivalents	**60,746**	**72,231**	**51,013**

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 September 2017 (unaudited) £'000	30 September 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Encumbered	23,201	11,481	21,154
Unencumbered	37,545	60,750	29,859
Total cash and cash equivalents	**60,746**	**72,231**	**51,013**

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Selected notes to the condensed interim financial statements (continued)

14. Borrowings

	30 September 2017 (unaudited) £'000	30 September 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Non-current			
Securitisation notes	987,937	1,002,387	988,856
Senior secured loan notes	184,282	182,887	183,235
	1,172,219	**1,185,274**	**1,172,091**

Securitisation notes

In June 2017 the business made its first issuance of Asset Backed Securities via a new SPV, PCL Funding II PLC, 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.
On 8 August 2017 the business agreed the extension of the securitisation notes issued by PCL Funding I Ltd until August 2020 and reduced the facility size to £850m, reflecting the funding requirements of the business after the issue of public notes in June 2017.

Senior secured loan notes	Maturity date	30 September 2017 (unaudited) £'000	30 September 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Fixed rate corporate bond - issued 5 May 2014	2021	184,282	182,887	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.

15. Called up share capital

	30 September 2017 (unaudited) £'000	30 September 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Allotted and fully paid			
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
	44,502	**44,502**	**44,502**

16. Financial instruments

There are no differences between the fair value of financial assets and liabilities included within the following categories in the Condensed Consolidated Balance sheet and their carrying value:

- Trade and other receivables;
- Cash and cash equivalents;
- Borrowings (securitisation loan);
- Trade and other payables; and
- Derivative financial instruments

Derivative financial instruments of £nil as at 30 September 2017 (30 September 2016: £ 0.5 million) were in relation to two interest rate swap contracts, which have expired in September 2016 and have not been renewed by the Group.

The following difference in fair values and carrying values exists in relation to the High Yield bond borrowings:

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Selected notes to the condensed interim financial statements (continued)

The fair values of the High Yield bond borrowings including unamortised set up fees were £188.6 million compared to the book value of £184.3 million as at 30 September 2017 (30 September 2016: fair value of £186.0 million compared to the book value of £182.9 million).

17. Debt and equity

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

	30 September 2017 £'000	30 September 2016 £'000	31 December 2016 £'000
Debt			
Securitisation notes	987,937	1,002,387	988,856
Senior loan notes	184,282	182,887	183,235
Amounts owed to Group undertakings	-	10,790	10,908
Less: unencumbered cash	(37,545)	(60,750)	(29,859)
Net debt	**1,134,674**	**1,135,314**	**1,153,140**
Equity			
Total equity	**(33,439)**	**(17,100)**	**(39,564)**

18. Cash inflow from operating activities

	Nine months ended 30 September 2017 (unaudited) £'000	Nine months ended 30 September 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Profit before taxation	**25,491**	**37,644**	**47,062**
Non cash items included in operating profit before taxation			
Loan impairment charges	3,740	4,326	6,658
Depreciation and amortisation	4,427	2,491	3,431
Impairment of intangible assets	-	-	877
Loss on disposal of fixed assets	32	21	14
Finance costs - net	32,636	25,465	35,057
Fair value movements - swap	-	(968)	(1,472)
Non cash items included in operating profit before taxation	**40,835**	**31,335**	**44,565**
Changes in operating assets and liabilities			
Net movement in loans and advances to customers	(50,653)	(137,154)	(55,813)
Net movement in trade and other payables	55,499	67,909	10,344
Net movement in prepayments and other receivables	691	782	(1,120)
Net movement on accruals and deferred income	(367)	6,415	
Changes in operating assets and liabilities	**5,170**	**(62,048)**	**(46,589)**
Cash flows from operating activities	**71,496**	**6,931**	**45,038**