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

Condensed Consolidated Interim Financial Statements (Unaudited)

Mizzen Mezzco Limited

For the 6 months ended 30 June 2018

Registered Number: 08179245

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Financial Results

Financial Data (£ in millions, except percentages and ratios)	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)	Increase/ (Decrease) (unaudited)
Net Advances[(a)]	1,634.3	1,687.3	(53.0)
Turnover	60.2	65.6	(5.4)
EBITDA	28.0	36.6	(8.6)
Adjusted EBITDA[(b)]	34.8	42.5	(7.7)
Adjusted EBITDA Margin[(b)]	57.8%	64.8%	(7.0%)
Adjusted Post-Securitisation EBITDA[(c)]	28.2	35.6	(7.4)
Adjusted Post-Securitisation EBITDA Margin[(c)]	46.8%	54.3%	(7.5%)
Cash Conversion[(d)]	88.3%	93.5%	(5.2%)
Profit before tax	6.7	18.2	(11.5)

Financial Data (£ in millions, except percentages and ratios)	For the quarter ended 30 June 2018 (unaudited)	For the quarter ended 30 June 2017 (unaudited)	Increase/ (Decrease) (unaudited)
Net Advances[(a)]	837.4	844.6	(7.2)
Turnover	30.1	33.3	(3.2)
EBITDA	13.4	20.0	(6.6)
Adjusted EBITDA[(b)]	17.5	22.5	(5.0)
Adjusted EBITDA Margin[(b)]	58.1%	67.6%	(9.5%)
Adjusted Post-Securitisation EBITDA[(c)]	14.2	18.8	(4.6)
Adjusted Post-Securitisation EBITDA Margin[(c)]	47.2%	56.5%	(9.3%)
Cash Conversion[(d)]	88.7%	93.1%	(4.4%)
Profit before tax	2.3	10.5	(8.2)

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

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

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

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

Note: Full reconciliation of GAAP and non-GAAP measures is presented on page 10

Results for the six months ended 30 June 2018

- Net advances for the six months of 2018 were £1,634.3 million, 3.1% lower than the same period last year (six months ended 30 June 2017: £1,687.3 million) because of broker losses due to market consolidation seen in 2017. Normalising for these, net advances increased by 4.5%.
- Overall EBITDA decreased by £8.6 million or 23.5% to £28.0 million in the six months ended 30 June 2018 (six months ended 30 June 2017: £36.6 million). This reduction in EBITDA when compared to the first six months of 2017 is impacted by broker consolidation activity and certain non-recurring earnings in 2017. The key elements of this were:
  - A decrease in Group turnover of £5.4 million, or 8.2%, to £60.2 million for the six months ended 30 June 2018 (six months ended 30 June 2017: £65.6 million), due to lower net advances and non-recurring earnings relating to crystallisation of certain commission provisions (£1.7 million) in 2017.
  - An increase in net credit losses of £2.3 million to £5.2 million for the six months ended 30 June 2018 (six months ended 30 June 2017: £2.9 million) primarily driven by non-recurrence of a recovery of £1.4 million relating to Independent Insurance Company Limited and a provision release of £0.4 million in 2017.

Financial Results (continued)

- An increase in other non-operating expenditure of £0.9 million to £6.6 million for the six months ended 30 June 2018 (six months ended 30 June 2017: £5.7 million) primarily due to restructuring costs in 2018.

- Adjusted EBITDA of £34.8 million decreased by £7.7 million for the six months ended 30 June 2018 (six months ended 30 June 2017: £42.5 million). Adjusted EBITDA shows the performance of the business with the impact of one-time IT expenditure and other expenses removed.
- Adjusted Post-Securitisation EBITDA decreased by £7.4 million for the six months ended 30 June 2018 or 20.8% to £28.2 million, (six months ended 30 June 2017: £35.6 million) in line with the respective decrease in EBITDA and Adjusted EBITDA as securitisation interest costs were £0.3 million lower versus prior period.
- Cash conversion for the six months ended 30 June 2018 was 88.3%, which was down by 5.2% over the prior period, as our free cash flow decreased by £8.4 million due to decrease in Adjusted post securitisation EBITDA of £7.4 million and £1.0 million higher capital projects spending of £3.3 million (six months ended 30 June 2017: £2.3 million).
- Profit before taxation for the six months ended 30 June 2018 was £6.7 million, 63.2% lower than the same period last year (six months ended 30 June 2017: £18.2 million) primarily due to lower turnover (£5.4 million), increased interest cost (£1.8 million, £1.5 million driven by accelerated amortisation of initial set up costs for the private banking funding facility following the amendment in the facility) and increased administrative expenses (£4.3 million, credit losses and restructuring costs as explained above and impact of foreign currency changes).

Results for the quarter ended 30 June 2018

The quarterly results for June 2018 are impacted by the same factors as the YTD results for 2018. We see a disproportionate impact on EBITDA when compared first quarter of 2018 as most of the non-recurring earnings impact of 2017 crystallised in the second quarter of 2017.

- Net advances for the quarter ended 30 June 2018 were £837.4 million, 0.9% lower than the same period last year (quarter ended 30 June 2017: £844.6 million). Adjusting for the impact of market consolidation, our net advances for the three months to June 2018 have increased by 6.3%, when compared to the same period last year.

- EBITDA decreased by £6.6 million or 33.0% to £13.4 million in the quarter ended 30 June 2018 (quarter ended 30 June 2017: £20.0 million).
- Adjusted EBITDA of £17.5 million decreased by £5.0 million for the quarter ended 30 June 2018 (quarter ended 30 June 2017: £22.5 million). Adjusted EBITDA shows the performance of the business with the impact of one-time IT expenditure and other expenses removed.
- Adjusted Post-Securitisation EBITDA decreased by £4.6 million for the quarter ended 30 June 2018 or 24.5% to £14.2 million (quarter ended 30 June 2017: £18.8 million) in line with the respective decrease in EBITDA and Adjusted EBITDA as securitisation interest costs decreased versus prior period by £0.4 million.
- Cash conversion for the quarter ended 30 June 2018 was 88.7%, which was down by 4.4% over the prior period, as our free cash flow decreased by £4.9 million due to decrease in Adjusted post securitisation EBITDA of £4.6 million and £0.3 million higher capital projects spending of £1.6 million (quarter ended 30 June 2017: £1.3).
- Profit before taxation for the quarter ended 30 June 2018 was £2.3 million, 78.1% lower than the same period last year (quarter ended 30 June 2017: £10.5 million) primarily due to lower turnover (£3.2 million), increased interest cost (£1.3 million) and increased administrative expenses (£3.7 million).

Financial Results (continued)

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

“The reduction in post securitisation EBITDA of £7.4m whilst disappointing, is in line with our expectations given recent reductions in net advances, following the significant changes in the markets where we operate. Additionally, the year over year comparison of our performance is impacted by certain non-recurring items included in the 2017 results.

I am pleased to see the continued underlying growth in our net advances which increased to 6.3% in the quarter once normalised for the 2017 intermediary losses. This is a key driver of our future performance and is benefiting from the investments the business has made in integration and developing compliant, digital customer journeys.

Our commitment towards sustained business growth, value creation and innovation for the future remains unchanged. It is clear we are in a strong financial position and are a market leader, but there is absolutely no room for complacency. We will continue to focus on growth by being the trusted finance provider in all our chosen markets.”

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, International Financial Reporting Standard (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.

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.

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 the 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 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.

Normalised net advances are net advances after normalising for the impact of key lost and impaired brokers.

Management Discussion and Analysis – Business Review

Notice

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

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 2017, the company had 2.5 million customers and achieved net advances of £3,418.3 million, processing 28.0 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

In May 2018, the Company narrowed the role undertaken by its Chief Financial Officer (CFO) to refocus on Accounting, Financial Planning & Analysis, and Treasury & Investor Relations. As a result of this, Nayan Kisnadwala, CFO left the business and a new CFO will be recruited. In the interim, Andrew Chapman, current Head of Treasury and Investor Relations will take responsibility for the finance function. Some further Executive changes were made to bring clearer responsibilities, greater collaboration and collective focus of the management team to the business strategy. These are:

- James Radford is appointed to a new position of Deputy CEO to support Tom Woolgrove, in addition to his role as Chief Operating Officer (COO).
- Roger Brown is appointed to a new position of Commercial Director, in addition to his existing role of Head of Specialist Lending Division (earlier New markets). Roger's role is expanding, and he will assume wider responsibilities for growth and profit generation in addition to his existing responsibilities. The purpose of the Commercial Director role is to bring together the different aspects of our commercial decision making to maximise our chances of commercial growth.
- Simon Moran, our Chief Sales & Marketing Officer, will maintain his focus on developing and growing IPF broker relationships, as well as acquiring new brokers, to grow our customer lending (advances).

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.

Management Discussion and Analysis – Business Review (continued)

Funding

In June 2018 the business extended the term of its private bank facility by one year to June 2021. As part of this amendment it aligned the concentration limits with the 2017-2 transaction, added a £19.0 million fixed value mezzanine note to the facility, aligned the facility margin with the market benchmarks and reduced the senior note facility size by £44.0 million in line with the current receivables projections. As a result, of the reduced reliance on the private bank facility since the two public transactions in 2017 HSBC and Natixis are no longer participating in the facility.

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 2017. We believe there have been no material changes to these risks in this financial period.

Regulatory Landscape

We continue to be regulated by both the FCA (in the UK) and the Central Bank of Ireland (in Ireland). In H1 2018, we completed the implementation of our enhancements to our assessment to affordability as previously guided by the FCA. We continue to invest time and resources to ensuring our business is conducted in compliance with the principles and spirit of the regulatory environments within which PCL operates.

Technology

We continue our investment in technology with the objective of providing higher penetration of premium and service fee funding, seamless customer service and improved efficiency for our network partners and intermediaries. We continue to develop and roll out the point of payment platforms (‘EPICC’ & ‘FITS’), which are online payment gateways, which will 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.

Management Discussion and Analysis – Financial Review

Key Performance Indicators

The table below shows the Group's key other financial metrics for the six months and quarters ended 30 June 2018 and 30 June 2017:

(in millions)	For the six months ended 30 June 2018	For the six months ended 30 June 2017	Increase / (Decrease)
Net Advances[(a)]	£1,634.3	£1,687.3	(£53.0)
Number of non-cancelled Agreements[(b)]	1.07	1.11	(0.04)
Number of direct debits processed[(c)]	12.72	14.38	(1.66)

(in millions)	For the quarter ended 30 June 2018	For the quarter ended 31 June 2017	Increase / (Decrease)
Net Advances[(a)]	£837.4	£844.6	(£7.2)
Number of non-cancelled Agreements[(b)]	0.54	0.54	-
Number of direct debits processed[(c)]	6.30	7.06	(0.76)

(a) Net advances 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 June 2018 and 30 June 2017:

(£ in millions, except percentages and ratios)	For the period ended 30 June 2018 (unaudited)	For the period ended 30 June 2017 (unaudited)	Increase / (Decrease) (unaudited)
Adjusted Post-Securitisation EBITDA (Last 12 months)	64.3	70.1	(5.8)
Gross debt	189.4	189.4	-
Net debt [(a)]	143.2	125.8	17.4
Cash interest expense (excluding securitisation)	13.3	13.3	-
Ratio of gross debt to Adjusted Post-Securitisation EBITDA	2.9x	2.7x	0.2x
Ratio of net debt to Adjusted Post-Securitisation EBITDA	2.2x	1.8x	0.4x
Ratio of Adjusted Post-Securitisation EBITDA to cash interest expense (excluding securitisation)	4.8x	5.3x	(0.5x)

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 £143.2 million represents total corporate borrowings (Senior Notes) of £189.4 million, less £46.2 million of Cash and Cash equivalents as of 30 June 2018 (2017: £63.6 million of Cash and Cash equivalents). This shows an increase of £17.4 million, against £125.8 million as of 30 June 2017 due to a decrease in Cash and Cash equivalents by £17.4 million, primarily due to dividend payment of £20.0 million.
- The Net debt to Adjusted Post-Securitisation EBITDA ratio of 2.2x for the period ended 30 June 2018 is higher by 0.4x versus the period ended 30 June 2017.
- Cash interest expense (excluding securitisation) represents cash interest expense, excluding interest payable to SPV under the Securitisation Facility. Cash interest expense (excluding securitisation) for the twelve months ended 30 June 2018 was at £13.3 million which is the interest payable on the bond.

Management Discussion and Analysis – Financial Review (continued)

- The Adjusted Post-Securitisation EBITDA to cash interest expense ratio of 4.8x for twelve months ended 30 June 2018 is worse by 0.5x than for the twelve months ended 30 June 2017 of 5.3x.

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 six months and the quarters ended 30 June 2018 and 30 June 2017:

(£ in millions)	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)	Increase / (Decrease) (unaudited)
Profit for the period before taxation	**6.7**	**18.2**	**(11.5)**
Interest payable and similar charges[a]	16.9	15.1	1.8
Depreciation and amortisation	3.2	2.8	0.4
Financing fees	0.3	1.4	(1.1)
Currency loss/(gain)	0.9	(0.9)	1.8
EBITDA	**28.0**	**36.6**	**(8.6)**
Transaction costs[b]	0.2	0.2	-
One-time information technology and other expenses[c]	6.6	5.7	0.9
Adjusted EBITDA	**34.8**	**42.5**	**(7.7)**
Securitisation interest expense[d]	(6.6)	(6.9)	0.3
Adjusted Post-Securitisation EBITDA	**28.2**	**35.6**	**(7.4)**

a. Includes amortisation of financing costs of £3.0 million with respect to the Securitisation Facility and £0.7m with respect to Bond financing cost for the six months ended 30 June 2018, whereas the six months ended 30 June 2017 includes £0.9 million with respect to the Securitisation Facility and £0.7m with respect to Bond financing cost.
b. Represents costs relating to sponsor expenses.
c. Represents one-time and IT project change costs and other 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 2018 (unaudited)	For the quarter ended 30 June 2017 (unaudited)	Increase / (Decrease) (unaudited)
Profit for the period before taxation	**2.3**	**10.5**	**(8.2)**
Interest payable and similar charges[a]	9.1	7.8	1.3
Depreciation and amortisation	1.6	1.9	(0.3)
Financing fees	0.2	0.7	(0.5)
Currency loss/(gain)	0.2	(0.9)	1.1
EBITDA	**13.4**	**20.0**	**(6.6)**
Transaction costs[b]	0.1	0.1	-
One-time information technology and other expenses[c]	4.0	2.4	1.6
Adjusted EBITDA	**17.5**	**22.5**	**(5.0)**
Securitisation interest expense[d]	(3.3)	(3.7)	0.4
Adjusted Post-Securitisation EBITDA	**14.2**	**18.8**	**(4.6)**

a. Includes amortisation of financing costs of £2.2 million with respect to the Securitisation Facility and £0.4m with respect to Bond financing cost for the quarter ended 30 June 2018, whereas the quarter ended 30 June 2017 includes £0.5 million with respect to the Securitisation Facility and £0.4m with respect to Bond financing cost.
b. Represents costs relating to sponsor expenses.
c. Represents one-time and IT project change costs and other 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

(£ in millions)	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (restated) (unaudited)	Increase / (Decrease) (unaudited)
Group Turnover	**60.2**	**65.6**	**(5.4)**
Administrative expenses	(36.6)	(32.3)	(4.3)
Group Operating profit/(loss)	**23.6**	**33.3**	**(9.7)**
Interest payable and similar charges [(a)]	(16.9)	(15.1)	(1.8)
Profit on ordinary activities before taxation	**6.7**	**18.2**	**(11.5)**
Tax on profit on ordinary activities	(0.9)	(2.4)	1.5
Profit for the year after taxation	**5.8**	**15.8**	**(10.0)**

a. Includes amortisation of financing costs of £3.0 million with respect to the Securitisation Facility and £0.7 million with respect to Bond financing cost for the six months ended 30 June 2018, whereas for the six months ended 30 June 2017 includes £0.9 million with respect to the Securitisation Facility and £0.7 million with respect to Bond financing cost.

(£ in millions)	For the quarter ended 30 June 2018 (unaudited)	For the quarter ended 30 June 2017 (restated) (unaudited)	Increase / (Decrease) (unaudited)
Group Turnover	**30.1**	**33.3**	**(3.2)**
Administrative expenses	(18.7)	(15.0)	(3.7)
Group Operating profit/(loss)	**11.4**	**18.3**	**(6.9)**
Interest payable and similar charges [(b)]	(9.1)	(7.8)	(1.3)
Profit on ordinary activities before taxation	**2.3**	**10.5**	**(8.2)**
Tax on profit on ordinary activities	(0.3)	(1.4)	1.1
Profit for the year after taxation	**2.0**	**9.1**	**(7.1)**

b. Includes amortisation of financing costs of £2.2 million with respect to the Securitisation Facility and £0.4 million with respect to Bond financing cost for the quarter ended 30 June 2018, whereas for the quarter ended 30 June 2017 includes £0.5 million with respect to the Securitisation Facility and £0.4 million with respect to Bond financing cost.

Consolidated Balance Sheet

(£ in millions)	Notes	As at 30 June 2018 (unaudited)	As at 30 June 2017 (restated) (unaudited)	Increase / (Decrease) (unaudited)
Non-current assets				
Intangible assets…………	1	12.2	9.8	2.4
Tangible assets…………	2	4.0	6.4	(2.4)
Non-current debtors…………	3	6.4	6.8	(0.4)
Deferred tax…………		0.2	0.5	(0.3)
Total non-current assets…………		**22.8**	**23.5**	**(0.7)**
Current assets				
Current debtors…………	3	1,391.4	1,413.9	(22.5)
Cash and cash equivalents…………	4	76.8	80.6	(3.8)
Total current assets…………		**1,468.2**	**1,494.5**	**(26.3)**
Total assets…………		**1,491.0**	**1,518.0**	**(27.0)**
Non-current liabilities				
Borrowings…………	5	1,129.8	1,135.0	(5.2)
Trade and other payables…………	6	-	9.6	(9.6)
Total non-current liabilities…………		**1,129.8**	**1,144.6**	**(14.8)**
Current liabilities				
Trade and other payables…………	6	434.8	396.6	38.2
Total current liabilities…………		**434.8**	**396.6**	**38.2**
Total liabilities…………		**1,564.6**	**1,541.2**	**23.4**
Capital & Reserves				
Share capital…………		44.5	44.5	-
Reserves…………		(118.1)	(67.7)	(50.4)
Total shareholders' equity…………		**(73.6)**	**(23.2)**	**(50.4)**
Total liabilities and equity…………		**1,491.0**	**1,518.0**	**(27.0)**

See Note 9 for details on restatement to the income tax charge

1. Intangible Assets

Intangible assets include capitalised software costs of £12.2 million as at 30 June 2018, up £2.4 million from 30 June 2017, primarily relating to internally generated software additions and internal transfer in December 2017. Intangible assets reflect investment in our infrastructure to improve customer journeys and enhance the quality of information available to the business. As at 30 June 2018, none of internally generated software was impaired (as at 30 June 2017: £nil million).

2. Tangible Assets

Tangible assets were at a net cost of £4.0 million as at the 30 June 2018 (£6.4 million as at 30 June 2017). The decrease of £2.4 million is primarily due to an internal transfer to software in December 2017 and reduced investment in vehicles and equipment.

3. Debtors

Debtors consist of trade debtors after deduction of provision for irrecoverable debts and unearned income. The debtor balance as at 30 June 2018 was £1,398.0 million (30 June 2017: £1,420.7 million) of which loans and advances to customers net of allowance for impairment was £1,382.0 million (30 June 2017: £ 1,411.9 million) and Prepayments and other assets were £16.0 million (30 June 2017: £8.8 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. Impairment on loans and advances increased by £1.1 million to £5.9 million (30 June 2017: £4.8 million) primarily due to increased terminations in our Specialist Lending and Commercial divisions.

4. Cash at Bank and in Hand

Cash at bank and in hand of £76.8 million represents SPV cash from the Securitisation Facility of £30.6 million and cash held outside the SPV of £46.2 million as at 30 June 2018 (£80.6 million as at 30 June 2017, represented by SPV cash of £17.0 million and cash held outside the SPV of £63.6 million).

5. Borrowing

Borrowings consist of Securitisation Notes of £944.5 million (net of £4.6 million of set up costs) and Senior Notes of £189.4 million as at 30 June 2018 (these are stated at £185.3 million after netting the unamortised bond set up costs of £4.1 million). The decrease of £5.2 million primarily relates to the lower working capital requirements.

Funding is primarily provided by a £1,084.5 million (2017: £1,432.0 million) securitisation funding facility, which comprises £519.0 of private banking facility (2017: £1,150 million) and £565.5 million (2017: 282.0 million) of public asset backed securities. As at 30 June 2018, £949.1 million was drawn down on this facility (2017: £953.7 million).

6. Trade and other payables

Trade and other payables of £434.8 million as of 30 June 2018 were down by £28.6 million (30 June 2017: £406.2 million). Of these, trade creditors were £416.5 million at 30 June 2018 (30 June 2017: £376.6 million). Trade creditors relate primarily to premiums and commission payable to intermediaries.

The increase is mainly attributable to higher trade creditors and accrued expenses of £38.2 million offset by an intercompany loan repayment of £9.6 million to Pomegranate Acquisitions in August 2017.

Consolidated Cash Flow Statement

(£ in millions)	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)	Increase / (decrease) (unaudited)
Net cash inflow/(outflow) from operating activities	55.7	68.8	(13.1)
Net cash inflow/(outflow) from investing activities	(3.3)	(2.3)	(1.0)
Net cash inflow before financing	**52.4**	**66.5**	**(14.1)**
Net cash inflow/(outflow) from financing activities	(77.8)	(36.9)	(40.9)
Effects of foreign exchange	-	-	-
(Decrease)/Increase in cash	**(25.4)**	**29.6**	**(55.0)**

Cash inflow from operating activities

Cash inflow from operating activities for the six months ended 30 June 2018 was £55.7 million (six months ended 30 June 2017: inflow of £68.8 million), with net cash inflow decreasing by £13.1 million compared to the prior period, primarily as a result of the increased working capital requirements by £6.9 million, due to cash outflow in loans and advances and other receivables by £55.5 million offset by an inflow movement in trade and other payables by £48.6 million.

Cash outflow from investing activities

Cash outflow from investing activities for the six months ended 30 June 2018 was at £3.3 million, which is £1.0 million higher than the six months ended 30 June 2017. The outflow in both periods represents capital spending, which has increased due to higher investment in our infrastructure.

Cash outflow from financing activities

Cash outflow from financing activities increased by £40.9 million, mainly due to a repayment in net securitisation borrowings of £20.8 million, including set up costs of £1.5 million as at 30 June 2018 versus prior period and dividend payment of £20 million in June 2018 (six months to June 2017: £nil).

Consolidated Cash Flow Statement (continued)

(£ in millions)	For the quarter ended 30 June 2018 (unaudited)	For the quarter ended 30 June 2017 (unaudited)	Increase / (decrease) (unaudited)
Net cash inflow/(outflow) from operating activities	(54.3)	(21.9)	(32.4)
Net cash inflow/(outflow) from investing activities	(1.6)	(1.3)	(0.3)
Net cash inflow before financing	**(55.9)**	**(23.2)**	**(32.7)**
Net cash inflow/(outflow) from financing activities	52.5	45.8	6.7
Effects of foreign exchange	0.2	(0.8)	1.0
(Decrease)/Increase in cash	**(3.2)**	**21.8**	**(25.0)**

Cash outflow from operating activities

Cash outflow from operating activities for the quarter ended 30 June 2018 was £54.3 million (quarter ended 30 June 2017: outflow of £21.9 million), with net cash outflow increasing by £32.4 million compared to the prior period, primarily due to increase in loans and advances and other receivables by £33.0 million.

Cash outflow from investing activities

Cash outflow from investing activities for the quarter ended 30 June 2018 was at £1.6 million, which is £0.3 million higher than the quarter ended 30 June 2017. The outflow in both periods represents capital spending.

Cash inflow from financing activities

Cash inflow from financing activities increased by £6.7 million, mainly due to an increase in net securitisation borrowings of £26.7 million, including set up costs of £1.5 million as at 30 June 2018 versus prior period and dividend payment of £20 million in June 2018 (2017: £nil).

Mizzen Mezzco Limited

Report and Financial Statements

(Unaudited)

For the 6 months ended 30 June 2018

Registered number – 08179245

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Consolidated Condensed Interim Financial Statements

Consolidated income statement

	Note	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (restated) (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Interest income		**55,000**	59,377	119,133
Interest expense		(9,571)	(7,789)	(17,467)
Net interest income	6	45,429	**51,588**	**101,666**
Fee and commission income		**7,189**	8,270	16,188
Fee and commission expense		**(2,004)**	(2,065)	(3,787)
Total income		**50,614**	**57,793**	**114,067**
Administrative expenses		**(36,623)**	(32,270)	(65,917)
Operating profit before taxation		**13,991**	**25,523**	**48,150**
Financing income	7	**4**	4	7
Financing expense	8	**(7,327)**	(7,327)	(14,654)
Profit before taxation		**6,668**	**18,200**	**33,503**
Income tax expense	9	**(880)**	(2,403)	(4,421)
Profit for the period		**5,788**	**15,797**	**29,082**

See Note 9 for details on restatement to the income tax charge

Consolidated statement of comprehensive income

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (restated) (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Profit after tax for the period	**5,788**	**15,797**	**29,082**
Other comprehensive income			
Items that may subsequently be reclassified to the profit or loss:			
Foreign currency translation gain	**(55)**	563	730
Other comprehensive income for the period	**(55)**	**563**	**730**
Total comprehensive income for the period	**5,733**	**16,360**	**29,812**

See Note 9 for details on restatement to the income tax charge

Consolidated balance sheet

	Note	30 June 2018 (unaudited) £'000	30 June 2017 (restated) (unaudited) £'000	31 December 2017 (audited) £'000
Assets				
Non-current assets				
Intangible assets	10	**12,162**	9,802	11,661
Property, plant and equipment	11	**4,003**	6,382	4,467
Loans and advances to customers	12	**4,073**	4,129	3,087
Prepayments and other assets		**2,331**	2,705	3,298
Deferred tax asset		**236**	471	236
Total non-current assets		**22,805**	**23,489**	**22,749**
Current assets				
Loans and advances to customers	12	**1,377,928**	1,407,775	1,417,609
Prepayments and other assets		**13,447**	6,094	9,438
Cash and cash equivalents	13	**76,756**	80,611	102,097
Total current assets		**1,468,131**	**1,494,480**	**1,529,144**
Total assets		**1,490,936**	**1,517,969**	**1,551,893**
Liabilities				
Non-current liabilities				
Borrowings	14	**1,129,786**	1,134,997	1,184,317
Trade and other payables		**-**	9,559	-
Total non-current liabilities		**1,129,786**	**1,144,556**	**1,184,317**
Current liabilities				
Trade and other payables		**434,760**	396,617	426,919
Total current liabilities		**434,760**	**396,617**	**426,919**
Total liabilities		**1,564,546**	**1,541,173**	**1,611,236**
Equity				
Called up share capital	15	**44,502**	44,502	44,502
Retained earnings		**(120,192)**	(69,674)	(105,980)
Other reserves		**2,080**	1,968	2,135
Total shareholders' equity		**(73,610)**	**(23,204)**	**(59,343)**
Total liabilities and equity		**1,490,936**	**1,517,969**	**1,551,893**

See Note 9 for details on restatement to the income tax charge

Consolidated statement of changes in equity

	Share capital £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
At 1 January 2017 - audited	**44,502**	**(85,471)**	**1,405**	**(39,564)**
Profit for the period	-	15,797	-	**15,797**
Foreign currency translation gain	-	-	563	**563**
Total comprehensive income for the period	**-**	**15,797**	**563**	**16,360**
At 30 June 2017 – (restated) unaudited	**44,502**	**(69,674)**	**1,968**	**(23,204)**
Profit for the period	-	13,285	-	**13,285**
Foreign currency translation gain	-	-	167	**167**
Total comprehensive income for the period	**-**	**13,285**	**167**	**13,452**
Transactions with owners				
Dividends paid	**-**	(49,591)	**-**	**(49,591)**
At 31 December 2017 - audited	**44,502**	**(105,980)**	**2,135**	**(59,343)**
Profit for the period	-	5,788	-	**5,788**
Foreign currency translation gain	-	-	(55)	**(55)**
Total comprehensive income for the period	**-**	**5,788**	**(55)**	**5,733**
Transactions with owners				
Dividends paid	**-**	(20,000)	**-**	**(20,000)**
At 30 June 2018 - unaudited	**44,502**	**(120,192)**	**2,080**	**(73,610)**

Consolidated cash flow statement

	Note	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Operating activities				
Cash generated by operations	18	70,961	89,679	142,816
Interest paid		(13,829)	(20,399)	(28,487)
Income taxes paid		(1,440)	(432)	(5,875)
Cash flows generated from operating activities		**55,692**	**68,848**	**108,454**
Cash flows used in investing activities				
Purchase of intangible fixed assets		(3,149)	(1,648)	(4,864)
Purchase of property, plant and equipment		(158)	(690)	(1,458)
Proceeds from disposal of plant and equipment		4		34
Net cash used in investing activities		**(3,303)**	**(2,338)**	**(6,288)**
Cash flows from financing activities				
(Decrease)/Increase in borrowings		(56,229)	(36,940)	4,967
Facility fees paid		(1,529)	-	(6,589)
Dividends paid to shareholders		(20,000)	-	(49,591)
Net cash flows (used)/from financing activities		**(77,758)**	**(36,940)**	**(51,213)**
Net (decrease)/increase in cash and cash equivalents		**(25,369)**	**29,570**	**50,953**
Cash and cash equivalents at beginning of period		102,097	51,013	51,013
Foreign currency translation gain		28	28	131
Cash and cash equivalents at end of period	13	**76,756**	**80,611**	**102,097**

Selected notes to the condensed interim financial statements

1. General information

The condensed financial statements for the six months ended 30 June 2018 and for the six months ended 30 June 2017 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 August 15, 2018. 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 2017 was approved by the board of directors of the Group on 24 April 2018 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. In November 2017, a second public issuance was launched via a new SPV, PCL Funding III with a re investment period end date of 15 June 2021. In June 2018 the business extended the term of its private bank facility by one year to June 2021. As part of this amendment, it aligned the concentration limits with the 2017-2 transaction, added a £19.0 million fixed value mezzanine note to the facility, aligned the facility margin with the market benchmarks and reduced the facility size by £44.0 million in line with its current receivables projections.

These changes have diversified the business's funding base and further reduced its liquidity risk.

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.

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 2017. These were assessed in Annual Report and Financial Statements 2017 and summarised as:

Selected notes to the condensed interim financial statements (continued)

(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
(g) Other provisions

5. Seasonality

The Group is not significantly impacted by seasonality trends.

6. Net interest income

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Interest income on loans and advances to customers	**55,000**	**59,377**	**119,133**
Interest payable on:			
Securitisation loan notes	(9,571)	(7,789)	(17,467)
Interest expense	**(9,571)**	**(7,789)**	**(17,467)**
Net interest income	**45,429**	**51,588**	**101,666**

7. Financing income

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Interest income from Group undertakings	4	4	7
Financing income	**4**	**4**	**7**

8. Financing expense

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Interest payable on Senior loan notes	7,327	7,327	14,654
Financing expense	**7,327**	**7,327**	**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 six months ended 30 June 2018 is 13.2% (the restated estimated tax rate for the six months ended 30 June 2017 was 13.2%).

Income tax has been restated from a tax credit of £3.1 million to a tax charge of £0.9 million for the six months ended 30 June 2017 due to restatement of the effective tax rate.

10. Intangible assets

	Assets under construction £'000	Software £'000	Total £'000
Cost			
At 31 December 2016 - audited	**6,111**	**6,316**	**12,427**
Additions	1,648	-	**1,648**
Disposals	-	(1,359)	**(1,359)**
Transfers	(5,761)	5,761	**-**
At 30 June 2017 - unaudited	**1,998**	**10,718**	**12,716**
Additions	(187)	3,403	**3,216**
Transfers	(330)	2,937	**2,607**
At 31 December 2017 - audited	**1,481**	**17,058**	**18,539**
Additions	3,098	51	**3,149**
Transfers	(410)	410	**-**
At 30 June 2018 - unaudited	**4,169**	**17,519**	**21,688**
Accumulated amortisation			
At 31 December 2016 - audited	**-**	**2,593**	**2,593**
Charge for the period	-	1,680	**1,680**
Disposals	-	(1,359)	**(1,359)**
At 30 June 2017 - unaudited	**-**	**2,914**	**2,914**
Charge for the period	-	2,229	**2,229**
Transfer	-	1,735	1,735
At 31 December 2017 - audited	**-**	**6,878**	**6,878**
Charge for the period	-	2,648	**2,648**
At 30 June 2018 - unaudited	**-**	**9,526**	**9,526**
Net book value			
At 31 December 2016	**6,111**	**3,723**	**9,834**
At 30 June 2017	**1,998**	**7,804**	**9,802**
At 31 December 2017	**1,481**	**10,180**	**11,661**
At 30 June 2018	**4,169**	**7,993**	**12,162**

Selected notes to the condensed interim financial statements (continued)

11. Property, plant and equipment

	Leasehold improvements £'000	Vehicles and equipment £'000	Total £'000
Cost			
At 31 December 2016 - audited	**2,726**	**12,911**	**15,637**
Additions	64	1,213	1,277
Disposals	(3)	(583)	(586)
At 30 June 2017 - unaudited	**2,787**	**13,541**	**16,328**
Additions	82	99	181
Transfer	-	(2,607)	(2,607)
Disposals	3	(6,095)	(6,092)
At 31 December 2017 - audited	**2,872**	**4,938**	**7,810**
Additions	-	158	158
Disposal		(4)	(4)
At 30 June 2018 - unaudited	**2,872**	**5,092**	**7,964**
Accumulated depreciation			
At 31 December 2016 - audited	**9**	**9,440**	**9,449**
Charge for the period	127	959	1,086
Disposal	(6)	(583)	(589)
At 30 June 2017 - unaudited	**130**	**9,816**	**9,946**
Charge for the period	143	1,004	1,147
Transfer	-	(1,735)	(1,735)
Disposals	6	(6,021)	(6,015)
At 31 December 2017 - audited	**279**	**3,064**	**3,343**
Charge for the period	146	472	618
At 30 June 2018 - unaudited	**425**	**3,536**	**3,961**
Net book value			
At 31 December 2016 - audited	**2,717**	**3,471**	**6,188**
At 30 June 2017 - unaudited	**2,657**	**3,725**	**6,382**
At 31 December 2017 - audited	**2,593**	**1,874**	**4,467**
At 30 June 2018 - unaudited	**2,447**	**1,556**	**4,003**

12. Loans and advances to customers

	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
Gross loans and advances to customers	1,387,927	1,416,670	1,425,177
Less: allowance for impairment	(5,926)	(4,766)	(4,481)
Net loans and advances to customers	**1,382,001**	**1,411,904**	**1,420,696**
Split as:			
Current	1,377,928	1,407,775	1,417,609
Non-current	4,073	4,129	3,087

13. Cash and cash equivalents

	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
Bank balances	**76,756**	**80,611**	**102,097**

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

	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
GBP	72,235	74,077	87,620
USD	1,334	2,869	2,246
EUR	3,187	3,665	12,231
Total cash and cash equivalents	**76,756**	**80,611**	**102,097**

The external credit rating of our banking counter parties is:

	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
AA-	76,756	79,837	101,344
A+		774	753
Total cash and cash equivalents	**76,756**	**80,611**	**102,097**

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

	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
Encumbered	30,598	17,058	73,398
Unencumbered	46,158	63,553	28,699
Total cash and cash equivalents	**76,756**	**80,611**	**102,097**

14. Borrowings

	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
Non-current			
Securitisation notes	944,457	951,064	999,687
Senior secured loan notes	185,329	183,933	184,630
	1,129,786	**1,134,997**	**1,184,317**

Securitisation notes

Funding is provided by a £1,084.5 million (2017: £1,432.0 million) securitisation facility and includes £519.0 million VFN facility and £565.5 million of public asset backed securities. As at 30 June 2018, £949.1 million was drawn down on the securitisation facility (2017: £953.7 million) less loan fees of £4.6 million (2017: £2.6 million).

Senior secured loan notes	Maturity date	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
Fixed rate corporate bond - issued 5 May 2014	2021	185,329	183,933	184,630

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 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (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 except for the Corporate bond, included in Borrowings:

- Trade and other receivables;
- Cash and cash equivalents;
- Trade and other payables.

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

The fair values of the High Yield bond borrowings were £189.1 million, including unamortised set up fees of £4.1 million compared to the book value of £185.3 million as at 30 June 2018 (30 June 2017: fair value of £193.7 million, including unamortised set up fees of £5.5 million compared to the book value of £183.9 million).

17. Debt and equity

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

	30 June 2018 £'000	30 June 2017 £'000	31 December 2017 £'000
Debt			
Securitisation notes	944,457	951,064	999,687
Senior loan notes	185,329	183,933	184,630
Amounts owed to Group undertakings	992	10,690	1,097
Less: unencumbered cash	(46,158)	(63,553)	(28,699)
Net debt	**1,084,620**	**1,082,134**	**1,156,715**
Equity			
Total equity	**(73,610)**	**(23,204)**	**(59,343)**

18. Cash inflow from operating activities

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Profit before taxation	**6,668**	**18,200**	**33,503**
Non cash items included in operating profit before taxation			
Loan impairment charges	5,219	2,871	5,580
Depreciation and amortisation	3,264	2,178	6,142
Loss on disposal of fixed assets	-	-	40
Finance costs - net	16,894	20,623	32,121
Non cash items included in operating profit before taxation	**25,377**	**25,672**	**43,883**
Changes in operating assets and liabilities			
Net movement in loans and advances to customers	33,398	85,918	74,482
Net movement in trade and other payables	8,494	(34,934)	(8,330)
Net movement in prepayments and other receivables	(2,976)	(5,177)	(722)
Changes in operating assets and liabilities	**38,916**	**45,807**	**65,430**
Cash flows from operating activities	**70,961**	**89,679**	**142,816**