Condensed Consolidated Interim Financial Statements (Unaudited)

Mizzen Mezzco Limited

Year and quarter ended 31 December 2017

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

Mizzen Mezzco Limited

Registered Number: 08179245

Mizzen Mezzco Limited

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Financial Results

Financial Data (£ in millions, except percentages and ratios)	For the year ended 31 December 2017 (unaudited)	For the year ended 31 December 2016 (unaudited)	Increase/ (Decrease) (unaudited)
Net Advances[a]	3,418.3	3,551.1	(132.8)
Turnover	131.5	132.8	(1.3)
EBITDA	71.3	79.9	(8.6)
Adjusted EBITDA[b]	85.3	85.5	(0.2)
Adjusted EBITDA Margin[b]	64.9%	64.3%	0.6%
Adjusted Post-Securitisation EBITDA[c]	71.7	68.7	3.0
Adjusted Post-Securitisation EBITDA Margin[c]	54.5%	51.7%	2.8%
Cash Conversion[d]	91.1%	82.8%	8.3%
Profit before tax	33.5	47.1	(13.6)

Financial Data (£ in millions, except percentages and ratios)	For the quarter ended 31 December 2017 (unaudited)	For the quarter ended 31 December 2016 (unaudited)	Increase/ (Decrease) (unaudited)
Net Advances[a]	750.6	807.3	(56.7)
Turnover	32.6	34.5	(1.9)
EBITDA	16.4	19.0	(2.6)
Adjusted EBITDA[b]	20.9	20.8	0.1
Adjusted EBITDA Margin[b]	64.1%	60.3%	3.8%
Adjusted Post-Securitisation EBITDA[c]	17.6	17.0	0.6
Adjusted Post-Securitisation EBITDA Margin[c]	54.0%	49.3%	4.7%
Cash Conversion[d]	83.0%	74.1%	8.9%
Profit before tax	8.0	9.5	(1.5)

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 -Securitisation 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.

Results for the year ended 31 December 2017

- The overall size of our net advances is down by 3.7% to £3,418.3 million for the year ended 31 December 2017 (year ended 31 December 2016: £3,551.1 million) due to a loss of volume from brokers due to market consolidation; and lower volumes from our retail brokers impacted by wider environmental factors. Excluding these losses, our net advances would be 3.8% up versus the year ended 31 December 2016.
- EBITDA decreased by £8.6 million or 10.8% to £71.3 million in the year (2016: £79.9 million). The key elements of this were:
    - An increase in one-time IT expenditure and other non-operating expenses of £8.5 million to £13.7 million for the year ended 31 December 2017 (year ended 31 December 2016: £5.2 million). This expenditure represents a considerable investment in the business's customer journeys and operating efficiency.
    - A decrease in group turnover of £1.3 million, or 1.0%, to £131.5 million for the year ended 31 December 2017 (year ended 31 December 2016: £132.8 million), due to lower net advances, impacted by certain key broker loss impacting IPF, lower volumes on retail portfolio and reduction in cost recovery.

Financial Results (continued)

    - A reduction in net credit losses including provisions of £1.0 million to £5.6 million for the year ended 31 December 2017 (year ended December 2016: £6.6 million). This is driven by the release of one off provisions held in 2016 which are no longer required. A decrease in Operating costs of £0.2 million to £40.6 million or 0.5% for the year ended 31 December 2017 (year ended 31 December 2016: £40.8 million), due to our initiatives in cost management.

- Adjusted EBITDA was relatively flat at £85.3 million for the year ended 31 December 2017 (year ended 31 December 2016: £85.5 million). Adjusted EBITDA shows the performance of the business without the impact of one-time IT and other non-operating expenditure.
- Adjusted post-securitisation EBITDA increased by £3.0 million or 4.4% to £71.7 million (2016: 68.7 million), primarily driven by lower funding costs following diversification of our funding lines.
- Cash conversion for the year ended 31 December 2017 was 91.1%, which was up by 8.3% over the prior year, as our free cash flow increased by £8.5 million due to growth in Adjusted post securitisation EBITDA of £3.0 million and lower capital projects spending of £6.3 million (2016: £11.8 million).
- Profit before taxation for the year ended 31 December 2017 was £33.5 million, 28.9% lower than the same period last year (2016: £47.1 million).

Results for the quarter ended 31 December 2017

- Our net advances fell by 7.0% to £750.6 million for the quarter ended 31 December 2017 (Q4 2016: £807.3 million), because of a loss of volume from brokers arising from market consolidation; and lower volumes from our retail brokers impacted by wider environmental factors. Excluding these losses, our net advances would be 3.1% up versus Q4 2016.
- EBITDA decreased by £2.6 million or 13.7% to £16.4 million in the quarter ended 31 December 2017 (Q4 2016: £19.0 million). The key elements of this were:
    - A decrease in group turnover of £1.9 million, or 5.5% to £32.6 million for the quarter ended 31 December 2017 (Q4 2016: £34.5 million) due to lower net advances.
    - An increase in one-time IT and other non-operating expenditure of £2.9 million to £4.5 million for the quarter ended 31 December 2017 (Q4 2016: £1.6 million).
    - A reduction in net credit losses including provision movements of £0.5 million for the quarter ended 31 December 2017 to £1.8 million (Q4 2016: £2.3 million) due to higher write-offs in the prior year.
    - A decrease in Operating costs of £1.5 million to £9.9 million, or 13.2% for the quarter ended 31 December 2017 (Q4 2016: £11.4 million) due to improved cost control.
- Adjusted EBITDA was relatively flat at £20.9 million for the quarter ended 31 December 2017 (Q4 2016: £20.8 million).
- Adjusted post-securitisation EBITDA increased £0.6 million to £17.6 million (Q4 2016: £17.0 million), primarily driven by reduced funding costs.

Financial Results (continued)

- Cash conversion for the quarter ended 31 December 2017 was 83.0% (2016: 74.1%), which was 8.9% up over Q4 2016, as our free cash flow increased by £2.0 million to £14.6 million (Q4 2016: £12.6 million) due to growth in Adjusted Post-Securitisation EBITDA of £0.6 million and lower capital projects spending of £3.0 million (Q4 2016: £4.4 million).
- Profit before taxation for the quarter ended 31 December 2017 was £8.0 million, 15.8% lower than the same period last year (Q4 2016: £9.5 million).

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

"The business has continued to deliver steady financial performance in 2017, with an Adjusted Post Securitisation full year EBITDA of £71.7 million, an improvement of 4.4% year on year.

Our net advances were down 3.7% due to broker consolidation in the market, and lower volumes from the retail portfolio. A normalised view, excluding the impact of consolidation activity in the market, shows annual growth of 3.8%, highlighting our stable underlying business performance. We are rolling out our new point of payment platforms to increase the take up of IPF with existing intermediaries, and we are developing a new business pipeline for 2018/2019.

Overall transaction volumes in terms of non-cancelled agreements and direct debits have shown a decline (12.9% and 7.6% respectively) driven by specific environmental factors in the retail (Personal Lines and Schemes) portfolio.

We continue to focus on our long term strategic objectives and continue to invest in improving our integration with, and service offering to, both our intermediary clients and our customers. 2017 has been a year of continued change, both in the markets where we operate and in the regulatory and political landscape. In particular, we implemented our enhanced approach to individual affordability assessment for our regulated premium finance business. Our commitment towards sustained business growth, value creation and innovation for the future remains unchanged. We will continue to focus on growth by being the trusted finance provider in our chosen markets.

Following the successful settlement of our inaugural public ABS transaction in June 2017, we completed our second transaction in November 2017, allowing us to continue our programme of funding diversification. We are delighted with the successful second issuance for our Master Trust securitisation structure."

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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.

Other

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

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

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

Notice

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

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Management Discussion and Analysis – Business Review

Principal Activities

We are the leading independent provider of insurance premium and other service fees advances in the UK and Ireland. For the year ended 31 December 2017, the company had 2.5 million customers and achieved net advances of £3,418.3 million, processing close to 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

During the year we had the following notable changes in the leadership of the Group:

1. In July 2017, Charlie Cutler was appointed the General Counsel and the Company Secretary, succeeding Jasan Fitzpatrick in this role.
2. In October 2017, we welcomed Nayan Kisnadwala, our Chief Financial Officer, to the Board of Directors.
3. In December 2017, we appointed Duncan Gray as Chief Information Officer to replace Mark Dearnley.
4. In early 2018, we appointed James Radford as Chief Operating Officer, replacing our Interim COO Edward Lunn.
5. In January 2018, Jill Tennant, our HR Director, formally joined the Executive Committee.

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 to facilitate the issuance of term notes alongside its existing private variable funding facility (the "VFN Facility"). The Master Trust facility became effective on February 2, 2017.

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 2017-1 in June 2017, we decided to optimise our funding plan and brought 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.

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

Regulatory Landscape

We received Full FCA authorisation in July 2017.

As part of our regulatory engagement, we have implemented an enhanced approach to affordability assessment. The changes incorporate additional credit worthiness assessments based upon a lower loan value threshold and the use of external credit reference agency data to assess the applications for new business for regulated lending. This new approach will potentially have an impact on our financial metrics, in terms of lower income and incremental expenses, but a limited impact on our credit losses as most of our regulated retail business is written on a recourse basis. The FCA is currently consulting on a revised affordability and credit worthiness approach, and potential changes to its CONC rules.

Our Irish business is independently authorised as a Money Lender by the Central Bank of Ireland. In addition, we are implementing changes arising from the Fourth Money Laundering Directive and have made good progress for GDPR and impending SMCR regulatory requirements.

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 intermediaries through improved integration and enhanced services.
3. To build a digital sales process, which enables all our intermediaries to consistently present finance offers at the point of sale to acquire and retain more customers, while meeting regulatory and compliance expectations.

We have launched our new point of payment platforms Electric Payments for Insurance Customers and Clients (EPICC) and Fully Integrated Transaction Service (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.

Key Performance Indicators

The table below shows the Group's key other financial metrics for the year and quarters ended 31 December 2017 and 30 December 2016:

(in millions)	For the year ended 31 December 2017	For the year ended 31 December 2016	Increase / (Decrease)
Net Advances[a]	£3,418.3	£3,551.1	(£132.8)
Number of non-cancelled Agreements[b]	2.15	2.47	(0.32)
Number of direct debits processed[c]	27.80	30.09	(2.29)

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Management Discussion and Analysis – Business Review (continued)

(in millions)	For the quarter ended 31 December 2017	For the quarter ended 31 December 2016	Increase / (Decrease)
Net Advances[(a)]	£750.6	£807.3	(£56.7)
Number of non-cancelled Agreements[(b)]	0.48	0.53	(0.05)
Number of direct debits processed[(c)]	6.66	7.62	(0.96)

(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 31 December 2017 and 31 December 2016:

(£ in millions, except percentages and ratios)	For the year ended 31 December 2017 (unaudited)	For the year ended 31 December 2016 (unaudited)	Increase / (Decrease) (unaudited)
Adjusted Post-Securitisation EBITDA (Last 12 months)	71.7	68.7	3.0
Gross debt	189.4	189.4	-
Net debt [(a)]	160.7	159.5	1.2
Cash interest expense (excluding securitisation)	13.3	13.3	-
Ratio of gross debt to Adjusted Post-Securitisation EBITDA	2.6x	2.8x	(0.2x)
Ratio of net debt to Adjusted Post-Securitisation EBITDA	2.2x	2.3x	(0.1x)
Ratio of Adjusted Post-Securitisation EBITDA to cash interest expense (excluding securitisation)	5.4x	5.2x	0.2x

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

Net Debt

- Net debt (excluding securitisation) of £160.7 million represents total corporate borrowings (Senior Notes) of £189.4 million, less £28.7 million of Cash and Cash equivalents (excluding encumbered cash held in SPVs) as of 31 December 2017 (2016: £29.9 million). This shows an increase of £1.2 million, against £159.5 million as of 31 December 2016 due to a decrease in Cash and Cash equivalents.
- Cash interest expense (excluding securitisation) excludes interest payable to SPV under the Securitisation Facility and associated interest rate hedges. Cash interest expense (excluding securitisation) for the twelve months ended 31 December 2017 was at £13.3 million which is the interest payable on the bond.
- The Net debt to Adjusted Post-Securitisation EBITDA ratio of 2.2x for the period ended 31 December 2017 is marginally lower by 0.1x versus the year ended 31 December 2016.
- The Adjusted Post-Securitisation EBITDA to cash interest expense ratio of 5.4x for twelve months ended 31 December 2017 is slightly better by 0.2x than for the twelve months ended 31 December 2016 of 5.2x.

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Management Discussion and Analysis – Financial Review

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 year and the quarters ended 31 December 2017 and 31 December 2016:

	For the year ended 31 December 2017	For the year ended 31 December 2016	Increase / (Decrease)
(£ in millions)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Profit/(loss) for the period before taxation	**33.5**	**47.1**	**(13.6)**
Interest payable and similar charges[a]	32.1	35.1	(3.0)
Depreciation and amortisation (including impairment)	6.2	4.3	1.9
Financing fees	2.0	1.1	0.9
Currency (gain)/loss	(2.5)	(6.2)	3.7
(Gain)/loss on revaluation of interest rate swap	-	(1.5)	1.5
EBITDA	**71.3**	**79.9**	**(8.6)**
Transaction costs[b]	0.3	0.4	(0.1)
One-time information technology and other expenses[c]	13.7	5.2	8.5
Adjusted EBITDA	**85.3**	**85.5**	**(0.1)**
Securitisation interest expense[d]	(13.6)	(16.7)	3.1
Adjusted Post-Securitisation EBITDA	**71.7**	**68.7**	**3.0**

a. Includes amortisation of financing costs of £3.8 million with respect to the Securitisation Facility and £1.4m with respect to Bond financing cost for the year ended 31 December 2017, whereas the year ended 31 December 2016 includes £3.6 million with respect to the Securitisation Facility and £1.4m with respect to Bond financing cost.
b. Represents costs relating to Sponsor expenses.
c. Represents one-time IT project change costs and other costs.
d. Represents interest expense payable to SPV under the Securitization Facility and is presented on an actual basis.

	For the quarter ended 31 December 2017	For the quarter ended 31 December 2016	Increase / (Decrease)
(£ in millions)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Profit/(loss) for the period before taxation	**8.0**	**9.5**	**(1.5)**
Interest payable and similar charges[a]	7.7	9.5	(1.8)
Depreciation and amortisation	1.7	1.8	(0.1)
Financing fees	0.3	(0.1)	0.4
Currency (gain)/loss	(1.3)	(1.2)	(0.1)
(Gain)/loss on revaluation of interest rate swap	-	(0.5)	0.5
EBITDA	**16.4**	**19.0**	**(2.6)**
Transaction costs[b]	-	0.2	(0.2)
One-time information technology and other expenses[c]	4.5	1.6	2.9
Adjusted EBITDA	**20.9**	**20.8**	**0.1**
Securitisation interest expense[d]	(3.3)	(3.8)	0.5
Adjusted Post-Securitisation EBITDA	**17.6**	**17.0**	**0.6**

a. Includes amortisation of financing costs of £0.7 million with respect to the Securitisation Facility and £0.4m with respect to Bond financing cost for the quarter ended 31 December 2017, whereas the quarter ended 31 December 2016 includes £2.0 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 Securitization Facility and is presented on an actual basis.

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Consolidated Income Statement

(£ in millions, except percentages)	For the year ended 31 December 2017 (unaudited)	For the year ended 31 December 2016 (unaudited)	Increase / (Decrease) (unaudited)
Group Turnover	**131.5**	**132.8**	**(1.3)**
Operating expenses	(65.9)	(52.1)	(13.8)
Group Operating profit/(loss)	**65.6**	**80.7**	**(15.1)**
Gain/(loss) on derivative financial instruments	-	1.5	(1.5)
Interest payable and similar charges [(a)]	(32.1)	(35.1)	3.0
Profit (loss) on ordinary activities before taxation	**33.5**	**47.1**	**(13.6)**
Tax on profit on ordinary activities	(4.4)	(3.3)	(1.1)
Profit / (loss) for the year after taxation	**29.1**	**43.8**	**(14.7)**

a. Includes amortisation of financing costs of £3.8 million with respect to the Securitisation Facility and £1.4 million with respect to Bond financing cost for the year ended 31 December 2016, whereas the year ended 31 December 2016 includes £3.6 million with respect to the Securitisation Facility and £1.4 million with respect to Bond financing cost.

(£ in millions, except percentages)	For the quarter ended 31 December 2017 (unaudited)	For the quarter ended 31 December 2016 (unaudited)	Increase / (Decrease) (unaudited)
Group Turnover	**32.6**	**34.5**	**(1.9)**
Operating expenses	(16.9)	(15.9)	(1.0)
Group Operating profit/(loss)	**15.7**	**18.6**	**(2.9)**
Gain/(loss) on derivative financial instruments	-	0.5	(0.5)
Interest payable and similar charges [(a)]	(7.7)	(9.6)	1.9
Profit (loss) on ordinary activities before taxation	**8.0**	**9.5**	**(1.5)**
Tax on profit on ordinary activities	1.0	(0.7)	1.7
Profit / (loss) for the quarter after taxation	**9.0**	**8.8**	**0.2**

a. Includes amortisation of financing costs of £0.7 million with respect to the Securitisation Facility and £0.4 million with respect to Bond financing cost for the quarter ended 31 December 2016, whereas the quarter ended 31 December 2016 includes £2.0 million with respect to the Securitisation Facility and £0.3m with respect to Bond financing cost.

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Consolidated Balance Sheet

(£ in millions)	Notes	As at 31 December 2017 (unaudited)	As at 31 December 2016 (unaudited)	Increase / (Decrease) (unaudited)
Non-current assets				
Intangible assets	1	11.7	9.8	1.9
Tangible assets	2	4.4	6.2	(1.8)
Non-current debtors	3	6.4	7.4	(1.0)
Deferred tax		0.2	0.5	(0.3)
Total non-current assets		**22.7**	**23.9**	**(1.2)**
Current assets				
Current debtors	3	1,427.1	1,502.7	(75.6)
Cash and cash equivalents	4	102.1	51.0	51.1
Total current assets		**1,529.2**	**1,553.7**	**(24.5)**
Total assets		**1,551.9**	**1,577.6**	**(25.7)**
Non-current liabilities				
Borrowings	5	1,184.3	1,172.1	12.2
Trade and other payables	6	-	9.6	**(9.6)**
Total non-current liabilities		**1,184.3**	**1,181.7**	**2.6**
Current liabilities				
Trade and other payables	6	426.9	435.5	(8.6)
Total current liabilities		**426.9**	**435.5**	**(8.6)**
Total liabilities		**1,611.2**	**1,617.2**	**(6.0)**
Capital & Reserves				
Share capital		44.5	44.5	-
Reserves		(103.8)	(84.1)	(19.7)
Total shareholders' equity		**(59.3)**	**(39.6)**	**(19.7)**
Total liabilities and equity		**1,551.9**	**1,577.6**	**(25.7)**

1. Intangible Assets

Intangible assets consist of capitalised software costs of £11.7 million as at 31 December 2017, up £1.9 million from 31 December 2016, primarily relating to internally generated software. Intangible assets reflect investment in our infrastructure to improve customer journeys and enhance the quality of information available to the business. As at 31 December 2017 none of internally generated software was impaired (for the year ended 2016: £0.9 million).

2. Tangible Assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. All tangible fixed assets are depreciated on a straight-line basis by reference to their estimated useful life. Leasehold assets are written off over the period of the lease. Tangible assets were at a net cost of £4.4 million as at the 31 December 2017 (£6.2 million as at 31 December 2016). The decrease of £1.8 million is due a reduction of investment in office improvements and equipment.

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Consolidated Balance Sheet (continued)

3. Debtors

Debtors consist of trade debtors after deduction of provision for irrecoverable debts and unearned income. The debtor balance as at 31 December 2017 was £1,433.5 million (31 December 2016: £1,510.1 million) of which loans and advance to customers net of allowance for impairment was £1,420.7 million (31 December 2016: £ 1,500.1 million and Prepayments and other assets were £12.8 million (31 December 2016: £9.9 million). The decrease in debtors is primarily due to the decrease in loans and advances to customers which has been driven by the decrease in net advances.

4. Cash at Bank and in Hand

Cash at bank and in hand of £102.1 million represents SPV cash from the Securitisation Facility of £73.4 million and cash held outside the SPV of £28.7 million as at 31 December 2017, versus £51.0 million as at 31 December 2016, represented by SPV cash of £21.1 million and cash held outside the SPV of £29.9 million.

5. Borrowing

Borrowings consist of Securitisation Notes of £999.7 million (net of £5.5 million of set up costs) and Senior Notes of £189.4 million as at 31 December 2017 (these are stated at £184.6 million after netting the unamortised bond set up costs of £4.8 million). Funding is primarily provided by a £1,109.5 million (2016: £1,250.0 million) securitisation funding facility, which comprises £544.0 of private banking facility and £565.5 million of public asset backed securities. As at 31 December 2017, £1,005.2 million was drawn down on this facility (2016: £990.4 million).

The increase of £12.2 million primarily relates to the additional funding from the securitisation facility.

6. Trade and other payables

Trade and other payables of £426.9 million as of 31 December 2017 were down by £18.2 million (31 December 2016: £445.1 million). Of these trade creditors were £408.0 million at 31 December 2017 (31 December 2016: £411.9 million). Trade creditors relates primarily to premiums and commission payable to intermediaries.

Mizzen Mezzco Limited

Consolidated Cash Flow Statement

(£ in millions)	For the year ended 31 December 2017 (unaudited)	For the year ended 31 December 2016 (unaudited)	Increase / (decrease) (unaudited)
Net cash inflow/(outflow) from operating activities……	108.4	13.3	95.1
Net cash inflow/(outflow) from investing activities……	(6.3)	(11.9)	5.6
Net cash inflow before financing……	**102.1**	**1.4**	**100.7**
Net cash inflow/(outflow) from financing activities……	(51.2)	0.8	(52.0)
Effects of foreign exchange……	0.1	0.8	(0.7)
Increase/(decrease) in cash……	**51.0**	**3.0**	**48.0**

(£ in millions)	For the quarter ended 31 December 2017 (unaudited)	For the quarter ended 31 December 2016 (unaudited)	Increase / (decrease) (unaudited)
Net cash inflow/(outflow) from operating activities……	68.0	32.4	35.6
Net cash inflow/(outflow) from investing activities……	(3.0)	(4.6)	1.6
Net cash inflow before financing……	**65.0**	**27.9**	**37.1**
Net cash inflow/(outflow) from financing activities……	(23.6)	(47.6)	24.0
Effects of foreign exchange……	0.1	(1.5)	1.6
Increase/(decrease) in cash……	**41.3**	**(21.2)**	**62.5**

Cash inflow/(outflow) from operating activities

- Cash inflow from operating activities for the year ended 31 December 2017 was £108.4 million (year ended 31 December 2016: outflow of £13.3 million), with net cash inflow increasing by £95.1 million compared to the prior year, primarily as a result of the reduced working capital requirements £112 million, due to a decrease in loans and advances to customers and offset by outflow for tax.
- Cash inflow from operating activities for the quarter increased by £35.6 million to £68.0 million inflow for the quarter ended 31 December 2017 (Q4 2016: inflow £32.4 million) primarily due to reduced working capital requirement following reduction in loans and advances to customers.

Cash inflow/(outflow) from investing activities

- Cash outflow from investing activities for the year ended 31 December 2017 was at £6.3 million, which is £5.6 million lower than the year ended 31 December 2016. The outflow in both periods represents capital spending, which has decreased due to higher investment in 2016 due to office move.

Consolidated Cash Flow Statement (continued)

- Cash outflow from investing activities for the quarter ended 31 December 2017 was £3.0 million, which is £1.6 million lower than the quarter ended 31 December 2016.

Cash inflow/(outflow) from financing activities

- Cash outflow from financing activities increased by £52.0 million, mainly due to dividend repayment of £49.6 million as at 31 December 2017 (as at 31 December 2016: 31.0 million) and reduction in net borrowings of £5.0 million in 2017 (2016: £35.0 million).
- Cash outflow from financing activities for the quarter decreased by £24.0 million due to additional dividend payment of £35 million offset by £12 million net changes in the level of borrowings.

Mizzen Mezzco Limited

Description of Certain Financing Arrangements

1. Securitisation Facility

Premium Credit Limited ("**PCL**") originally entered into a series of agreements on October 31, 2012, as amended from time to time thereafter, to establish a securitisation facility (the "**Original Securitisation Facility**") backed by amounts owing to PCL by its customers ("**Receivables**") in respect of certain insurance premium and service fee payment products. Pursuant to the Original Securitisation Facility, certain Receivables and any related rights (the "**Securitised Assets**") were sold and assigned to PCL Funding I Limited, a special purpose vehicle established for the purposes of the Original Securitisation Facility (the "**VFN Issuer**").

On 16th December 2016, PCL and the other parties entered into certain amendments to the Original Securitisation Facility (thereafter, the "**Amended Securitisation Facility**") (as more fully described below) which became effective as of 2 February 2017 (the "**Amendment Date**"). The Amended Securitisation Facility facilitates the issuance of additional note series in the future which provides the optionality of accessing the capital markets with a public issuance that has diversified PCL's funding base, further reducing liquidity risk.

Asset Trust

Pursuant to the Amended Securitisation Facility, a newly incorporated special purpose vehicle, PCL Asset Trustee Limited (the "**Asset Trustee**"), acquired (in a one off purchase) certain Securitised Assets from PCL Funding 1 Limited, and on an on-going basis has acquired and will acquire Securitised Assets from PCL (the "**Amended Securitisation Facility**"). The purchase price for any Securitised Assets purchased by the Asset Trustee, which is payable on the Purchase Date, will be equal to 100% of the principal balance of such Receivable.

The Asset Trustee holds the Securitised Assets on trust (the "**Asset Trust**") for the persons that make a contribution thereto (each a "**Beneficiary**"). As at the date of this report, there are five Beneficiaries of the Asset Trust, the PCL Funding I (the '**VFN Issuer**') , PCL ITN Issuer I Limited (the "**ITN Issuer**"), PCL Funding II PLC (the "**2017-1 Issuer**"), PCL Funding III PLC (the "**2017-2 Issuer**") and PCL (in its capacity as "**Seller Beneficiary**").

The Asset Trustee holds the Securitised Assets which meet the eligibility criteria of the trust for the 'Eligible Trust Beneficiaries' and the remaining Securitised Assets of the trust for the 'Ineligible Trust Beneficiaries'. As at the date of this report, the "**Eligible Trust Beneficiaries**" are the VFN Beneficiary, the Series 2017-1 Issuer, the Series 2017-2 Issuer and the Seller Beneficiary; and the "**Ineligible Trust Beneficiary**" is the ITN Issuer. It is expected that in the future, new Beneficiaries will be established which will accede to the terms of the Asset Trust, either as Eligible Trust Beneficiaries or Ineligible Trust Beneficiaries. In order to acquire its beneficial interest in the Asset Trust, each of the Beneficiaries (other than the VFN Issuer which contributed assets) has made or will make a cash contribution to the Asset Trustee. The Asset Trustee will fund its acquisition of the Securitised Assets through such contributions and/or amounts (broadly derived from unutilised collections on the Securitised Assets) reinvested in the Asset Trust by the Beneficiaries.

Cashflows

The cash flows generated by the Securitised Assets (the "**Collections**") continue to be initially collected in bank accounts held by PCL (the "**Collection Accounts**") and, on a daily basis, the amounts standing to the credit of the Collection Accounts are transferred into accounts held by the Asset Trustee . The Asset Trustee (or the Servicer on its behalf) will then allocate Collections to each Beneficiary based on its respective invested amount. Each of the Beneficiaries will apply the amounts allocated to it (i) on each Business Day, firstly to make provision for interest, costs and expenses expected to be fall due on the next weekly settlement date and thereafter to make a reinvestment in the Asset Trust and (ii) on each weekly settlement date, pursuant to a priority of payments waterfall which similarly ranks payments in respect of the Securitisation Notes and certain transaction expenses ahead of the payment of amounts owning to the Asset Trustee or PCL. Amounts reinvested in the Asset Trust will also be applied in accordance with a priority of payments waterfall which first makes provision for expenses and thereafter funds are available to pay purchase price for new Securitised Assets due on such day.

In 2017, funding was primarily provided by a £1,109.5 million (2016: £1,250.0 million) securitisation funding facility, which comprises £544.0 of private banking facility and £565.5 million of public asset backed securities. As at 31 December 2017, £1,005.2 million was drawn down on this facility (2016: £990.4 million).

In August 2017, the business agreed the extension of the securitisation notes issued by PCL Funding I Ltd until August 2020 and reduced the VFN facility size to £850.0 million. In November 2017 following the second issuance of public notes, it reduced the VFN facility further to £544.0 million.

In June 2017 and November 2017, £300 million public issuances were launched via a new SPVs, PCL Funding II and PCL Funding III. The revolving periods for these facilities were 3 year and 3.6 years respectively. They consist of “A”, “B” and “C” Notes rated by Moody’s and DBRS and unrated “D” Notes, with an amortisation date of 15 June 2020 and 15 June 2021, respectively.

Hedging

Under the Original Securitisation Facility, the VFN Issuer maintained two fixed/floating interest rate swaps. These swaps ran-off in October 2016 on their scheduled termination date and were not renewed.

2. Senior Notes

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

The Notes are fully and unconditionally guaranteed on a senior basis by the Parent Guarantor and the Subsidiary Guarantor.