PREMIUM CREDIT

Condensed Consolidated Interim Financial Statements (Unaudited)

Mizzen Mezzco Limited (Registered number: 08179245)

For the nine months ended 30 September 2019

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

Important information

Disclaimer

This Document comprises the unaudited consolidated interim financial information of the Group for the nine months ended 30 September 2019 (contained in the Appendix to this Document) and additional financial and non-financial information in relation to the Company together with its subsidiaries and subsidiary undertakings (the "Group"). All financial information contained in this Document relates to the consolidated financial results of the Group. The financial information contained in this Document has not been audited or verified by an independent accounting firm. All non-financial information contained in this Document relates to the business, assets and operations of the Group.

The information contained in this Document should be considered in the context of the circumstances prevailing at the time and will not be updated to reflect material developments that may occur after the date of this Document. The information and opinions in this Document are provided as at the date of this Document and are subject to change without notice. None of the Company, any member of the Group, any of their respective affiliates, advisors or representatives or any other person shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this Document or its contents or otherwise arising in connection with this Document, or any action taken by you or any of your officers, employees, agents or associates on the basis of the information in this Document.

Non-GAAP Measures

Certain financial data included in this Document consists of "non-IFRS financial measures". These non-IFRS (International Financial Reporting Standards) financial measures, as defined by the Group, may not be comparable to similarly-titled measures as presented by other companies, nor should they be considered as an alternative to the historical financial results or other indicators of the Group's cash flow based on IFRS. Even though the non-IFRS financial measures are used by management to assess the Group's financial position, financial results and liquidity and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of the Group's financial position or results of operations as reported under IFRS. The inclusion of such non-IFRS financial measures in this Document or any related presentation should not be regarded as a representation or warranty by the Group, any member of the Group, any of their respective affiliates, advisors or representatives or any other person as to the accuracy or completeness of such information's portrayal of the financial condition or results of operations of the Group and should not be relied upon when making an investment decision

References to Turnover throughout this document are references to interest income, plus 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.

References to EBITDA throughout this document refer to the internal measure of performance to benchmark and compare performance, both between its own operations and against other companies. 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 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. EBITDA represents profit for the period before taxation, interest payable and similar charges, depreciation and amortisation, goodwill amortisation and amortisation of Securitisation Programme refinancing fees. References to Adjusted EBITDA throughout the document refer to EBITDA as adjusted for non-recurring costs, one-time information technology, foreign exchange gains and losses, and other expenses. References to Adjusted Post-Securitisation EBITDA throughout the document refer to Adjusted EBITDA further adjusted for securitisation funding costs.

References to Cash conversion throughout this document refer to Free Cash flow as a % of Adjusted Post-Securitisation EBITDA; Free Cash flow represents Adjusted Post-Securitisation EBITDA less Capex.

The document includes key performance indicators that the Group believe are useful to include, these non-IFRS measures are used by the Group for internal performance analysis and the presentation 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.

References to Net debt (excluding securitisation) throughout this document refers to total corporate borrowings less unencumbered cash on the balance sheet.

References to Cash interest expense (excluding securitisation) throughout this document excludes interest payable by the Securitisation SPVs under the Securitisation Programme. Cash interest expense (excluding securitisation) has been presented for illustrative purposes only and does not purport to represent what the Group's interest expense would have been had the issue of the Notes occurred on the date assumed, nor does it purport to project the Group's interest expenses for any period or the Group's financial condition at any future date.

Introduction

Highlights

- Net Advances increased by 5.4% year-on-year to £2,693.0 million for the nine months to 30 September 2019 (30 September 2018: £2,555.3 million).
- Operating Profit increased by 42.9% to £30.0 million as of 30 September 2019 (30 September 2018: £21.0 million).
- 87.5% increase in Profit before Tax (PBT) to £18.8 million (30 September 2018: £10.0 million).
- 16.7% increase in Adjusted Post-Securitisation Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) to £50.2 million in the nine months to 30 September 2019 (30 September 2018: £43.0 million)
- Improvement in ratio of Adjusted Post-Securitisation EBITDA to cash interest expense to 5.1x (30 September 2018: 4.6x).
- Loan receivable balances increased by 3.3% to £1,520.1 million as of 30 September 2019 (30 September 2018: £1,471.1 million).
- Reduction in credit losses to 0.16% of Net Advances originated (30 September 2018: 0.21%).
- 580,000 new or renewed loan agreements originated in Q3 2019 (Q3 2018: 550,000).
- In September 2019, Jon Howells joined as Chief Commercial Officer for the Group's Insurance Premium Finance business.
- The Group's Fully Integrated Transaction Service (FITS) system, which delivers a real time client affordability decision and signing of the credit agreement at point of sale has been deployed to both IPF and specialist lending partners.
- Launch of new premium finance schemes with new and existing partners including C&C Insurance Brokers and The Post Office, as well as a number of renewals of key partner contracts.
- Awarded 'Premium Finance Provider of the year' at the Insurance Choice Awards 2019.

Financial Data **(£ in millions, except percentages and ratios)**	**Nine months ended 30 September 2019[(a)]** **(unaudited)**	**Nine months ended 30 September 2018[(a)]** **(unaudited)**	**Increase/ (Decrease)**
Net Advances[(b)]	2,693.0	2,555.3	137.7
Turnover[(c)]	95.3	90.9	4.4
Operating Profit	30.0	21.0	9.0
EBITDA	50.4	41.4	9.0
Adjusted EBITDA	61.7	53.4	8.3
Adjusted Post-Securitisation EBITDA	50.2	43.0	7.2
Cash Conversion	96.0%	88.4%	7.6p.p.
Free Cash Flow[(d)]	48.2	38.0	10.2
Loan Loss Ratio[(e)]	0.16%	0.21%	(0.05)p.p.
Profit Before Tax	18.8	10.0	8.8

(£ in millions, except percentages and ratios)	**Quarter ended 30 September 2019[(a)]** **(unaudited)**	**Quarter ended 30 September 2018[(a)]** **(unaudited)**	**Increase/ (Decrease)**
Net Advances[(b)]	1,003.5	921.0	82.5
Turnover[(c)]	32.5	30.7	1.8
Operating Profit	10.2	7.0	3.2
EBITDA	17.0	13.4	3.6
Adjusted EBITDA	20.6	18.6	2.0
Adjusted Post-Securitisation EBITDA	16.7	14.8	1.9
Cash Conversion	96.4%	88.5%	7.9p.p.
Free Cash Flow[(d)]	16.1	13.1	3.0
Loan Loss Ratio[(e)]	0.16%	0.26%	(0.10)p.p.
Profit Before Tax	6.5	3.3	3.2

a. The impact of IFRS 16 is reflected as an increase to EBITDA of £0.8 million which is due to IAS 17 operating lease charge included within EBITDA in the nine months ended 30 September 2018 versus depreciation of £0.8 million and interest charge of £0.2 million being excluded from EBITDA in the nine months ended 30 September 2019. The impact on profit before tax of IFRS 16 for the nine months ended 30 September 2019 is a decrease of £0.2 million being the difference between the sum of depreciation and interest charge per IFRS 16 and operating lease charge per IAS 17.
b. Net Advances measures the total value of loans initiated, net of cancellations and mid-term adjustments.
c. Turnover comprises Interest Income and Fee and Commission income and expenses, as referred to in the Income Statement.
d. Free Cash Flow represents Adjusted Post-Securitisation EBITDA less capital expenditure.
e. Net credit losses as a % of Net Advances.

- **Net Advances** for the nine months ended 30 September 2019 were £2,693 million, 5.4% higher than the same period last year. The Insurance Premium Finance business grew by 4.2%, while the Specialist Lending division grew by 13.3%.
- **Turnover** increased £4.4 million to £95.3 million for the nine months. Turnover comprises:
    - **Interest income** – an increase of £3.2 million to £86.6 million
    - **Fee and commission income** – an increase of £2.6 million to £13.2 million
    - **Fee and commission expense** – an increase of £1.4 million to £4.5 million
- The **Adjusted Post-Securitisation EBITDA** of the Group increased by £7.2 million to £50.2 million (30 September 2018: £43.0 million), or 16.7% for the nine months. The key elements of this were:
    - An increase in Turnover of £4.4 million, or 4.8%, to £95.3 million, as a result of higher Net Advances and the implementation of several margin enhancing initiatives, including the pass through of higher funding costs and an increase in levels of cost recovery.
    - A decrease in Administration expenses for Net Credit Losses of £4.7 million or 62.0%, to £2.9 million, as a result of an improvement in asset quality driving both a provision release and lower net write-offs. This improvement in asset quality compared favourably to the wider market, which in England and Wales remain at an elevated level not seen since Q1 2014.
- The **Adjusted EBITDA** for the Group of £61.7 million increased by £8.3 million, or 15.6% for the nine months ended 30 September 2019, due to the reasons highlighted in Adjusted Post-Securitisation EBITDA, together with increased securitisation interest rates following the Bank of England's base rate rise in August 2018. These additional securitisation costs have been offset by price increases, helping to drive the Adjusted EBITDA.
- The **EBITDA** for the Group increased by £9.0 million, or 21.8% to £50.4 million in the nine months ended 30 September 2019 compared to the same period last year due to non-recurring one-off costs in 2018 of £1.3 million, offset by current year costs associated with the IT division restructure of £0.4 million.
- **Operating Profit** increased by 42.9% to £30.0 million as of 30 September 2019 (30 September 2018: £21.0 million). This is due to increased Turnover driven by higher Net Advances, margin enhancing initiatives and increased levels of cost recovery; together with lower Administration expenses driven by decreased net credit losses and provision as a result of an improvement in collection.
- **Profit Before Tax** for the nine months ended 30 September 2019 was £18.8 million, 87.5% higher than the nine months ended 30 September 2018 due to the improvement in asset quality and increased turnover. PBT for the quarter ended 30 September 2019 was £6.5 million, £3.2 million higher than quarter ended 30 September 2018, for the same reasons.
- **Cash Conversion** for the nine months ended 30 September 2019 was 96%. This was an increase of 7.6 percentage points over the same period last year, driven by higher Adjusted Post-Securitisation EBITDA and £3.0 million lower capital project expenditure versus the nine months ended 30 September 2018.

Reconciliation of Profit before Tax to Adjusted Post-Securitisation EBITDA

The following tables reconcile profit for the period to EBITDA, to Adjusted EBITDA and to Adjusted Post-Securitisation EBITDA for the nine months and for the quarters ended 30 September 2019 and 30 September 2018:

(£ in millions)	Nine months ended 30 September 2019[a] (unaudited)	Nine months ended 30 September 2018[a] (unaudited)	Increase / (Decrease)
Profit for the period before tax	**18.8**	**10.0**	**8.8**
Interest payable and similar charges[b]	25.4	25.1	0.3
Depreciation and amortisation	5.2	4.9	0.3
Financing fees	0.6	0.5	0.1
Currency loss/(gain)	0.4	0.9	(0.5)
EBITDA	**50.4**	**41.4**	**9.0**
Transaction costs[c]	0.3	0.3	-
One-time information technology and other expenses	11.0	11.7	(0.7)
Adjusted EBITDA	**61.7**	**53.4**	**8.3**
Securitisation interest expense	(11.5)	(10.4)	(1.1)
Adjusted Post-Securitisation EBITDA	**50.2**	**43.0**	**7.2**

a. The impact of IFRS 16 is reflected as an increase to EBITDA of £0.8 million which is due to IAS 17 operating lease charge included within EBITDA in the nine months ended 30 September 2018 versus depreciation of £0.8 million and interest charge of £0.2 million being excluded from EBITDA in the nine months ended 30 September 2019. The impact on profit before tax of IFRS 16 for the nine months ended 30 September 2019 is a decrease of £0.2 million being is the difference between the sum of depreciation and interest charge per IFRS 16 and operating lease charge per IAS 17.
b. Includes amortisation of financing costs of £2.6 million with respect to the Securitisation Facility and £1.0m with respect to Bond financing cost for the nine months ended 30 September 2019, whereas the nine months ended 30 September 2018 includes £3.8 million with respect to the Securitisation Facility and £1.0m again with respect to Bond financing cost.
c. Represents costs relating to sponsor expenses.

(£ in millions)	Quarter ended 30 September 2019 (unaudited)	Quarter ended 30 September 2018 (unaudited)	Increase / (Decrease)
Profit for the period before tax	**6.5**	**3.3**	**3.2**
Interest payable and similar charges[a]	8.6	8.2	0.4
Depreciation and amortisation	1.6	1.6	-
Financing fees	0.3	0.3	-
EBITDA	**17.0**	**13.4**	**3.6**
Transaction costs[b]	0.1	0.1	-
One-time information technology and other expenses	3.5	5.1	(1.6)
Adjusted EBITDA	**20.6**	**18.6**	**2.0**
Securitisation interest expense	(3.9)	(3.8)	(0.1)
Adjusted Post-Securitisation EBITDA	**16.7**	**14.8**	**1.9**

a. The impact of IFRS 16 is reflected as an increase to EBITDA of £0.3 million which is due to IAS 17 operating lease charge included within EBITDA in the quarter ended 30 September 2018 versus depreciation of £0.2 million and interest charge of £0.1 million being excluded from EBITDA in the quarter ended 30 September 2019. There is no impact on profit before tax of IFRS 16 for the quarter ended 30 September 2019 for the difference between the sum of depreciation and interest charge per IFRS 16 and operating lease charge per IAS 17.
b. Includes amortisation of financing costs of £0.9 million with respect to the Securitisation Facility and £0.3m with respect to Bond financing cost for the quarter ended 30 September 2019, whereas the quarter ended 30 September 2018 includes £0.8 million with respect to the Securitisation Facility and £0.3m again with respect to Bond financing cost.
c. Represents costs relating to sponsor expenses.

Key Performance Indicators

The table below shows the Group's other key financial metrics for the nine months and for the quarters ended 30 September 2019 and 30 September 2018:

(in millions)	Nine months ended 30 September 2019	Nine months ended 30 September 2018	Increase / (Decrease)
Number of non-cancelled Agreements[a]	1.66	1.62	0.04
Number of direct debits processed[b]	18.70	18.97	(0.27)

(in millions)	Quarter ended 30 September 2019	Quarter ended 30 September 2018	Increase / (Decrease)
Number of non-cancelled Agreements[a]	0.58	0.55	0.03
Number of direct debits processed[b]	6.30	6.25	0.05

(a) Consists of new or renewed loan agreements which are expected to complete to term.
(b) Represents the number of direct debit transactions that the Group processed during the period on all live agreements.

The table below shows the Group's other financial data for the periods ended 30 September 2019 and 30 September 2018:

(£ in millions, except percentages and ratios)	Period ended 30 September 2019 (unaudited)	Period ended 30 September 2018 (unaudited)	Increase / (Decrease)
Adjusted Post-Securitisation EBITDA (last 12 months)	67.8	60.6	7.2
Gross debt excluding securitisation	189.4	189.4	-
Net debt excluding securitisation	147.6	157.5	(9.9)
Cash interest expense (excluding securitisation)	13.3	13.3	(0.0)
Ratio of gross debt to Adjusted Post-Securitisation EBITDA	2.8x	3.1x	(0.3)x
Ratio of net debt to Adjusted Post-Securitisation EBITDA	2.2x	2.6x	(0.4)x
Ratio of Adjusted Post-Securitisation EBITDA to cash interest expense (excluding securitisation)	5.1x	4.6x	0.5x

Analysis of key Balance Sheet accounts

(£ in millions)	30 September 2019 (unaudited)	30 September 2018 (unaudited)	Increase / (Decrease)
Capitalised assets	19.9	16.3	3.6
Cash and cash equivalents	62.6	85.9	(23.3)
Debtors	1,533.7	1,485.8	47.9
Borrowings	1,188.3	1,186.5	1.8

Capitalised assets

The movement in capitalised assets is driven by the Group adopting IFRS 16 *Leases*. Operating leases for premises and vehicles of £6.9 million were recognised on the balance sheet at transition on 1 January 2019 and are depreciated over their useful life. A corresponding liability for the present value of future rent payments has been recognised in liabilities. The balance at 30 September 2019 of £6.2 million largely represents the capitalised cost of the Group's operating premises in Leatherhead.

Cash and cash equivalents

Cash at bank and in hand at 30 September 2019 of £62.6 million comprises £41.8 million of cash held directly by Premium Credit – unencumbered (30 September 2018: £31.9 million) and £20.8 million of cash held by the Securitisation Programme – encumbered (30 September 2018: £54.0 million). The movement in the unencumbered cash balance over the prior period is notably led by the decision to retain cash in the business to facilitate some of the Group's refinancing opportunities, in line with the Group's press release in June 2019.

Debtors

The debtors balance at 30 September 2019 comprises £1,520.1 million of loans and advances to customers, which is stated net of impairment and after deduction of irrecoverable debts and unearned income, and prepayments and other assets of £13.6 million. The increase in debtors from the balance at September 2018 is due to the growth in Net Advances.

Borrowings

Borrowings consist of a Securitisation Programme of £1,001.2 million (net of £2.5 million of set up costs) and Senior Notes of £189.4 million as at 30 September 2019 (these are stated at £187.1 million after netting the unamortised bond set up costs of £2.3 million).

The Securitisation Programme comprises a £519.0 million of private facility and £565.5 million of public asset backed securities. As at 30 September 2019, £1,003.7 million was drawn down on this programme (2018: £1,005.1 million).

Commercial

Premium Credit is the leading independent provider of Insurance Premium and other service fees financing in the UK and Ireland.

During Q3 2019, the Group renewed a number of key partner accounts for up to five year periods following competitive tender processes. It also launched Premium Finance schemes with new and existing partners including C&C Insurance Brokers, James Hallam Insurance Brokers and the Post Office.

The Group's Specialist Lending business saw its highest quarter ever in terms of Net Advances, with over 60% of the new originations in the quarter generated by its School Fee Plan product.

Technology

The Group's ongoing investment in technology is focused on delivering digital sales processes and streamlined customer journeys, enabling its partners to consistently present finance options at the point of sale, with the aim of acquiring and retaining more customers, whilst meeting regulatory and compliance expectations.

In Q3 2019, the group rolled out its upgraded portal for commercial brokering partners, delivering its payment options capability (previously known as EPICC) to all its partners as well as simplifying the overall experience of managing finance policies. Over £150m of premiums has been processed via this new service and partner feedback has been very positive. The Group's Fully Integrated Transaction Service (FITS), which delivers a real time client affordability decision and signing of the credit agreement at point of sale was deployed to both Insurance Premium Finance and Specialist Lending partners. The Group also continued to enhance its integration capability via new APIs services.

Leadership

Premium Credit appointed Jon Howells as Chief Commercial Officer for the Group's Insurance Premium Finance business. Jon joins from Close Brothers Premium Finance, and also held management functions at Premium Choice, Hastings Direct and Swinton.

Following the departure of Andy Smith, James Wilson has been appointed as interim Chief Risk Officer. James comes with a wealth of experience gained in a range of traditional and modern Financial Services organisations, including Banking, Investment, Wealth Management and Insurance, with significant exposure to platform and digital businesses.

Funding

There were no changes in the Group's funding arrangements this quarter.

The Group continues to monitor closely its capital structure including liquidity and the maturity profile of its debt instruments. In this context, it continues to engage in conversations and to explore refinancing options to ensure the Group is positioned to benefit from any attractive refinancing opportunities, whether prior to year-end 2019 or in 2020.

As part of this, post period reporting date, the Group extended the Variable Funding Notes within its Securitisation Programme, with a revised reinvestment period end date of October 2022. The Variable Funding Notes committed facilities were increased from £519 million to £826 million to support receivables growth and to reduce the Group's reliance on the public asset-backed securities market in the near term.

Risks and Regulation

The Group continues to monitor the uncertainty around the UK's withdrawal from the European Union and at this stage does not expect this to have a material impact on the business.

The Group is regulated by both the FCA (in the UK) and the Central Bank of Ireland (in Ireland), and has continued to invest resources to ensure the business is conducted in compliance with the principles and spirit of the regulatory environments within which it operates.

Report and Financial Statements (Unaudited)

Mizzen Mezzco Limited (Registered number: 08179245)

For the nine months ended 30 September 2019

Index to Financial Statements

Consolidated income statement	12
Consolidated statement of comprehensive income	12
Consolidated balance sheet	13
Consolidated statement of changes in equity	14
Consolidated cash flow statement	15
Selected notes to the financial statements	16

Consolidated income statement

	Nine months ended 30 September 2019 (unaudited) £'000	Nine months ended 30 September 2018 (unaudited) £'000	Year ended 31 December 2018 (audited) £'000
Interest income	86,556	83,360	112,891
Interest expense	(14,130)	(14,131)	(18,968)
Net interest income	**72,426**	**69,229**	**93,923**
Fee and commission income	13,163	10,580	14,973
Fee and commission expense	(4,444)	(3,049)	(4,067)
Total income	**81,145**	**76,760**	**104,829**
Administrative expenses	(51,164)	(55,751)	(71,547)
Operating profit before taxation	**29,981**	**21,009**	**33,282**
Financing income	7	6	8
Financing expense	(11,234)	(10,990)	(14,654)
Profit before taxation	**18,754**	**10,025**	**18,636**
Income tax expense	(1,920)	(1,323)	(1,732)
Profit after taxation for the period	**16,834**	**8,702**	**16,904**

Consolidated statement of comprehensive income

	Nine months ended 30 September 2019 (unaudited) £'000	Nine months ended 30 September 2018 (unaudited) £'000	Year ended 31 December 2018 (audited) £'000
Profit after tax for the period	**16,834**	**8,702**	**16,904**
Other comprehensive income			
Items that may subsequently be reclassified to the profit or loss:			
Foreign currency translation (loss)/gain	(372)	147	379
Other comprehensive (expense)/income for the period	**(372)**	**147**	**379**
Total comprehensive income for the period	**16,462**	**8,849**	**17,283**

Consolidated balance sheet

	Note	30 September 2019 (unaudited) £'000	30 September 2018 (unaudited) £'000	31 December 2018 (audited) £'000
Assets				
Non-current assets				
Intangible assets	7	10,714	12,463	12,649
Property, plant and equipment	8	2,991	3,773	3,766
Right-of-use assets	9	6,169	-	-
Loans and advances to customers	10	3,987	3,435	3,129
Prepayments and other assets		1,012	1,958	1,686
Deferred tax asset		424	236	424
Total non-current assets		**25,297**	**21,865**	**21,654**
Current assets				
Loans and advances to customers	10	1,516,105	1,467,616	1,397,547
Prepayments and other assets		12,188	12,788	10,988
Corporation tax receivable		-	-	1,437
Cash and cash equivalents	11	62,611	85,936	66,149
Total current assets		**1,590,904**	**1,566,340**	**1,476,121**
Total assets		**1,616,201**	**1,588,205**	**1,497,775**
Liabilities				
Non-current liabilities				
Lease obligations		5,587	-	-
Borrowings	12	1,188,265	1,186,546	1,159,874
Total non-current liabilities		**1,193,852**	**1,186,546**	**1,159,874**
Current liabilities				
Lease obligations		685	-	-
Trade and other payables		497,365	472,153	430,064
Total current liabilities		**498,050**	**472,153**	**430,064**
Total liabilities		**1,691,902**	**1,658,699**	**1,589,938**
Equity				
Called up share capital	13	44,502	44,502	44,502
Retained earnings		(122,345)	(117,278)	(139,179)
Other reserves		2,142	2,282	2,514
Total shareholders' equity		**(75,701)**	**(70,494)**	**(92,163)**
Total liabilities and equity		**1,616,201**	**1,588,205**	**1,497,775**

Consolidated statement of changes in equity

	Share capital £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
At 1 January 2018 - audited	**44,502**	**(105,980)**	**2,135**	**(59,343)**
Profit for the period	-	8,702	-	**8,702**
Foreign currency translation gain	-	-	147	**147**
Total comprehensive income for the period	**-**	**8,702**	**147**	**8,849**
Transactions with owners				
Dividends paid	**-**	(20,000)	-	**(20,000)**
At 30 September 2018 - unaudited	**44,502**	**(117,278)**	**2,282**	**(70,494)**
Profit for the period	-	8,099	-	**8,099**
Foreign currency translation gain	-	-	232	**232**
Total comprehensive income for the period	**-**	**8,099**	**232**	**8,331**
Transactions with owners				
Dividends paid	**-**	(30,000)	-	**(30,000)**
At 31 December 2018 - audited	**44,502**	**(139,179)**	**2,514**	**(92,163)**
Profit for the period	-	16,834	-	**16,834**
Foreign currency translation gain	-		(372)	**(372)**
Total comprehensive income for the period	**-**	**16,834**	**(372)**	**16,462**
Transactions with owners				
Dividends paid	**-**	-	-	**-**
At 30 September 2019 - unaudited	**44,502**	**(122,345)**	**2,142**	**(75,701)**

Consolidated cash flow statement

	Note	Nine months ended 30 September 2019 (unaudited) £'000	Nine months ended 30 September 2018 (unaudited) £'000	Year ended 31 December 2018 (audited) £'000
Operating activities				
Cash generated by operations	16	(3,755)	33,550	81,404
Interest paid		(22,624)	(21,584)	(29,128)
Income taxes paid		(476)	(1,440)	(1,564)
Cash flows generated from operating activities		**(26,855)**	**10,526**	**50,712**
Cash flows used in investing activities				
Purchase of intangible fixed assets		(1,714)	(4,754)	(6,911)
Purchase of property, plant and equipment		(51)	(266)	(513)
Proceeds from disposal of plant and equipment		-	49	-
Net cash used in investing activities		**(1,765)**	**(4,971)**	**(7,424)**
Cash flows from financing activities				
Increase/decrease in borrowings		25,130	(204)	(27,366)
Facility fees paid		-	(1,631)	(2,135)
Dividends paid to shareholders		-	(20,000)	(50,000)
Net cash flows generated/(used) from/(in) financing activities		**25,130**	**(21,835)**	**(79,501)**
Net decrease in cash and cash equivalents		**(3,490)**	**(16,280)**	**(36,213)**
Cash and cash equivalents at beginning of period		66,149	102,097	102,097
Foreign currency translation (loss)/gain		(48)	119	265
Cash and cash equivalents at end of period		**62,611**	**85,936**	**66,149**

1. General information

The condensed financial statements for the nine months ended 30 September 2019 and for the nine months ended 30 September 2018 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 11 November 2019. 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 2018 were approved by the board of directors of the Group on 30 April 2019. 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 period ending 30 September 2019, and concluded that, with the exception of IFRS16 as outlined below, none have any significant impact on these condensed interim financial statements.

The Group adopted IFRS 16 *Leases* on 1 January 2019, applying the modified retrospective approach, and brought its operating leases at 31 December 2018 onto the balance sheet through the recognition of the contractual 'right-of-use (ROU) assets' and corresponding 'lease obligations'. This has resulted in an increase of £6.2 million in assets and liabilities individually with no net change in net assets overall. On the income statement the operating lease rental charges are replaced by depreciation on ROU assets and finance charges on lease obligations. The impact of this in the reporting period is £0.8 million.

New, revised or amended standards and interpretations that are not yet effective have not been early adopted.

3. Going concern basis

The Group's securitisation programme provides access, through a Master Trust, to both private and public asset-backed security (ABS) funding. The Master Trust also benefits from a separate excess concentration facility, which provides funding for excess concentrations driven by external events (notably mergers of producers), allowing the Group to obtain funding for assets brokered by a newly combined producer entity whilst modifications are made to the existing funding lines. This diversified funding base lowers the Group's liquidity risk. Term asset backed notes were issued in June 2017 (with a reinvestment period end date of June 2020 and a final maturity date of June 2022) and November 2017 (with a reinvestment period end date of June 2021 and a final maturity date of June 2023). In June 2018, the business extended the term of the reinvestment period for its private facility to June 2021.

In October 2019 the Group extended the Variable Funding Notes within its Securitisation Programme with a revised reinvestment period end date of October 2022. The Variable Funding Notes committed facilities were increased from £519.0 million to £826.0 million to support receivables growth and to reduce the Group's reliance on the public asset-backed securities market in the near term.

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. Segment reporting

In accordance with IFRS 8 'Operating Segments', the Group has a single operating segment being the financing of insurance premiums and instalment services.

5. Critical accounting estimates and judgements 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 2018. These were assessed in the Annual Report and Financial Statements 2018 and summarised as:

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

6. Administration Expenses

The Group continues to work with our insurers regarding a business interruption claim from September 2018. The expected recovery from this claim cannot be reliably measured at the date of approval of these Financial Statements and therefore has not been recognised.

7. Intangible assets

	Assets under construction £'000	Software £'000	Total £'000
Cost			
At 31 December 2017 - audited	**1,481**	**17,058**	**18,539**
Additions	4,601	153	**4,754**
Transfers	(300)	300	**-**
At 30 September 2018 - unaudited	**5,782**	**17,511**	**23,293**
Additions	1,456	701	**2,157**
Disposals	(635)	(385)	**(1,020)**
Transfers	(517)	517	**-**
At 31 December 2018 - audited	**6,086**	**18,344**	**24,430**
Additions	1,668	46	**1,714**
At 30 September 2019 - unaudited	**7,754**	**18,390**	**26,144**
Accumulated amortisation			
At 31 December 2017 - audited	**-**	**6,878**	**6,878**
Charge for the period	-	3,952	**3,952**
Disposals	-	-	**-**
At 30 September 2018 - unaudited	**-**	**10,830**	**10,830**
Charge for the period	-	1,328	**1,328**
Disposals	-	(377)	**(377)**
At 31 December 2018 - audited	**-**	**11,781**	**11,781**
Charge for the period	-	3,649	**3649**
Disposals	-	-	-
At 30 September 2019 - unaudited	**-**	**15,430**	**15,430**
Net book value			
At 31 December 2017 - audited	**1,481**	**10,180**	**11,661**
At 30 September 2018 - unaudited	**5,782**	**6,681**	**12,463**
At 31 December 2018 - audited	**6,086**	**6,563**	**12,649**
At 30 September 2019 - unaudited	**7,754**	**2,960**	**10,714**

8. Property, plant and equipment

	Leasehold improvements £'000	Vehicles and equipment £'000	Total £'000
Cost			
At 31 December 2017 – audited	**2,872**	**4,938**	**7,810**
Additions	**-**	266	266
Disposal	**-**	(49)	(49)
At 30 September 2018 - unaudited	**2,872**	**5,155**	**8,027**
Additions	-	247	**247**
Disposals	-	(75)	**(75)**
At 31 December 2018 - audited	**2,872**	**5,327**	**8,199**
Additions	-	52	**52**
At 30 September 2019 - unaudited	**2,872**	**5,379**	**8,251**
Accumulated depreciation			
At 30 September 2018 - unaudited	**494**	**3,760**	**4,254**
Charge for the period	72	209	**281**
Disposal		(102)	**(102)**
At 31 December 2018 - audited	**566**	**3,867**	**4,433**
Charge for the period	215	612	**827**
At 30 September 2019 - unaudited	**781**	**4,479**	**5,260**
Net book value			
At 30 September 2018 - unaudited	**2,378**	**1,395**	**3,773**
At 31 December 2018 - audited	**2,306**	**1,460**	**3,766**
At 30 September 2019 - unaudited	**2,091**	**900**	**2,991**

9. Right-of-use assets

	Right-of-use building £'000	Right-of-use vehicles £'000	Total £'000
Cost			
At 1 January 2019 on adoption of IFRS 16 - unaudited	**6,433**	**258**	**6,691**
Additions		233	**233**
At 30 September 2019 - unaudited	**6,433**	**491**	**6,924**
Accumulated depreciation			
At 1 January 2019 on adoption of IFRS 16 - unaudited	**-**	**-**	**-**
Charge for the period	616	139	**755**
At 30 September 2019 - unaudited	**616**	**139**	**755**
Net book value			
At 1 January 2019 - unaudited	**6,433**	**258**	**6,691**
At 30 September 2019 - unaudited	**5,817**	**352**	**6,169**

10. Loans and advances to customers

	30 September 2019 (unaudited) £'000	30 September 2018 (unaudited) £'000	31 December 2018 (audited) £'000
Gross loans and advances to customers	1,524,991	1,477,852	1,407,099
Less: allowance for impairment	(4,899)	(6,801)	(6,423)
Net loans and advances to customers	**1,520,092**	**1,471,051**	**1,400,676**
Split as:			
Current	1,516,105	1,467,616	1,397,547
Non-current	3,987	3,435	3,129

11. Cash and cash equivalents

	30 September 2019 (unaudited) £'000	30 September 2018 (unaudited) £'000	31 December 2018 (audited) £'000
Bank balances	**62,611**	**85,936**	**66,149**

The currency profile of cash and cash equivalents is as follows:	30 September 2019 (unaudited) £'000	30 September 2018 (unaudited) £'000	31 December 2018 (audited) £'000
GBP	49,004	77,447	55,925
USD	2,484	1,564	2,248
EUR	11,123	6,925	7,976
Total cash and cash equivalents	**62,611**	**85,936**	**66,149**

The external credit rating of the Group's banking counter parties are:	30 September 2019 (unaudited) £'000	30 September 2018 (unaudited) £'000	31 December 2018 (audited) £'000
AA-	62,611	85,936	66,149
A+	-	-	-
BBB+	-	-	-
Total cash and cash equivalents	**62,611**	**85,936**	**66,149**

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

	30 September 2019 (unaudited) £'000	30 September 2018 (unaudited) £'000	31 December 2018 (audited) £'000
Encumbered	20,818	54,013	36,683
Unencumbered	41,794	31,923	29,466
Total cash and cash equivalents	**62,611**	**85,936**	**66,149**

12. Borrowings

	30 September 2019 (unaudited) £'000	30 September 2018 (unaudited) £'000	31 December 2018 (audited) £'000
Non-current			
Securitisation notes	1,001,191	1,000,868	973,847
Senior secured notes	187,074	185,678	186,027
	1,188,265	**1,186,546**	**1,159,874**

Securitisation notes

Funding is provided by a £1,084.5 million (2018: £1,084.5 million) securitisation facility, this includes Variable Funding Notes and two public series launched. As at 30 September 2019, £1,001.2 million (2018: £1,005.1 million) was drawn down on the securitisation facility less loan fees of £2.5 million (2018: £4.3 million).

Senior secured notes	Maturity date	30 September 2019 (unaudited) £'000	30 September 2018 (unaudited) £'000	31 December 2018 (audited) £'000
Fixed rate senior notes - issued 5 May 2014	2021	187,074	185,678	186,027

Interest is payable on the senior notes at a fixed rate of 7% per annum until maturity. The bond issued by Mizzen Bondco Limited, are 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.

13. Called up share capital

	30 September 2019 (unaudited) £'000	30 September 2018 (unaudited) £'000	31 December 2018 (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**

14. 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 senior notes, 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 senior notes' borrowings:

The fair values of the senior notes' borrowings were £182.9 million, including unamortised set up fees of £2.3 million compared to the book value of £187.1 million as at 30 September 2019 (30 September 2018: fair value of £189.2 million, including unamortised set up fees of £3.7 million compared to the book value of £185.7 million).

15. Debt and equity

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

	30 September 2019 (unaudited) £'000	30 September 2018 (unaudited) £'000	31 December 2018 (audited) £'000
Debt			
Lease obligations	6,272	-	-
Securitisation notes	1,001,191	1,000,868	973,847
Senior loan notes	187,074	185,678	186,027
Amounts owed to/(from) Group undertakings	990	(962)	991
Less: unencumbered cash	(41,794)	(31,923)	(29,466)
Net debt	**1,153,733**	**1,153,661**	**1,131,399**
Equity			
Total equity	**(75,701)**	**(64,919)**	**(92,163)**

16. Cash inflow from operating activities

	Nine months ended 30 September 2019 (unaudited) £'000	Nine months ended 30 September 2018 (unaudited) £'000	Year ended 31 December 2018 (audited) £'000
Profit before taxation	**18,754**	**10,025**	**18,636**
Non cash items included in operating profit before taxation			
Loan impairment charges	2,899	7,625	9,314
Depreciation and amortisation	5,231	4,863	6,472
Loss on disposal of fixed assets	-	-	665
Finance costs - net	25,358	25,115	33,614
Non cash items included in operating profit before taxation	**33,488**	**37,603**	**50,065**
Changes in operating assets and liabilities			
Net movement in loans and advances to customers	(122,639)	(57,951)	10,691
Net movement in trade and other payables	64,040	39,388	4,784
Net movement in prepayments and other receivables	785	(1,496)	(1,239)
Net movement on accruals and deferred income	1,817	5,981	(1,533)
Changes in operating assets and liabilities	**(55,997)**	**(14,078)**	**12,703**
Cash flows from operating activities	**(3,755)**	**33,550**	**81,404**