Mizzen Mezzco Limited

Annual Report and Financial Statements

for the year ended 31 December 2015

Registered number: 08179245

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CORPORATE INFORMATION

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John Reeve
Peter Catterall
Maxim Crewe
Anthony Santospirito
Chris Burke
David Young

Company Secretary
Jasan Fitzpatrick

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OVERVIEW OF THE GROUP

The Mizzen Mezzco Group (the "Group") is a financial services group specialising in the financing of insurance premiums and instalment services in the UK and Ireland. Premium Credit Limited ("PCL"), the Group's operating subsidiary, has been trading since 1988.

On 27 February 2015 the ultimate controlling party, Mizzen Topco S.C.A., a company incorporated in Luxemburg, disposed of its entire stake in the Group to Cinven Partners LLP ("Cinven") for £462 million. The current group structure following the Cinven acquisition is shown below:

FINANCIAL HIGHLIGHTS

The Group has made good progress during the year. We advanced £3.4 billion to customers during 2015, an increase of 3.8% on 2014. In addition, we processed 29.3 million direct debits, which was up 6.5% on 2014. We closed the year with 2.2 million customers, an increase of 3.2% on 2014.

Adjusted Pro Forma Post-Securitisation EBITDA improved by 31.1% to £66.6 million driven by higher loan volume and margin. The increased income, was offset by higher costs incurred due to significant investment in our growth with an emphasis on enhancing our Information Technology infrastructure and Sales Organisation, while operating costs were managed tightly. Credit quality remains good with continued improvement in customer default rate and recoveries. The loan loss ratio has dropped by 15% to 0.33 % (2014: 0.39%).

Key performance indicators	**2015**	**2014**	**% change**
Adjusted Pro Forma Post-Securitisation EBITDA [1]	**£66.6m**	**£50.8m**	**+31.1%**
Sales			
Net loans and advances to customers	**£3,423m**	**£3,297m**	**+3.8%**
Operations			
Credit quality: loan loss asset ratio[2]	**0.33%**	**0.39%**	**-15%**
Non-cancellable agreements	**2.203m**	**2.135m**	**+3.2%**
Direct debits processed	**29.3m**	**27.5m**	**+6.5%**
Shareholder returns			
Dividends	**£11.581m**	**£91.841m**	**-87%**

1. A reconciliation to profit before tax is shown on page 16
2. Loan loss asset ratio is calculated by dividing the impairment loss by the average balance of loans and advances to customers.

Funding and liquidity

The Group extended its existing securitisation facility of £1.05 billion in July 2015. In addition, it arranged an overdraft facility of £15 million. The Group redeemed £10.4 million of its High Yield Corporate Bond during the year reducing the outstanding principal to £189.4 million. The Group paid a dividend of £11.6 million to its shareholders prior to the sale of the business to Cinven, this dividend followed the issue of the second corporate bond and part of the proceeds were paid to the ultimate controlling party at the time of issue, GTCR.

STRATEGIC REPORT

CHIEF EXECUTIVE'S STATEMENT

The Group continues to identify, develop and deliver initiatives to create economic value. Following the acquisition by Cinven, 2015 has been a year of further change, with a focus on developing the foundations to support and sustain business growth and value creation in the future.

Leadership

Three Non-executive Directors, representing GTCR, resigned from office in February 2015 on the transfer of ownership to Cinven. Consequently, we welcomed to the Board three new Non-executive Directors representing Cinven, namely Peter Caterall, Maxim Crewe and Anthony Santospirito. Chris Burke also joined the Board in March 2015 as an independent Non-executive director and brings significant commercial and technology expertise.

In October 2015, Colin Keogh was appointed Non-executive Chairman of Premium Credit Limited, the Group's trading subsidiary. He brings to the role significant leadership and Board governance experience in insurance and financial services. At the same time, Laurel Powers-Freeling resigned from the Board on the completion of her term in office.

In December 2015, we bade farewell to Andrew Doman, our former Chief Executive. We wish him well and thank him for his contribution in developing the business during his term in office. Andrew was succeeded as Chief Executive by Thomas Woolgrove in January 2016. Thomas's background in both banking and insurance will provide the industry expertise to steer the Group on the next phase of our journey.

We also welcomed David Young to the Board in January 2016 as an independent Non-executive director. David brings to the Board a wealth of experience in investment banking, together with expertise in wider corporate governance and risk management, all within Prudential Regulation Authority (PRA)/Financial Conduct Authority (FCA) regulated and directly supervised environments.

Market

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

STRATEGIC REPORT (continued)

Risks

The Company is predominantly exposed to Credit risk and Liquidity risk, arising from our lending portfolio and external funding respectively. Given much of our lending is on a recourse basis, underlying Credit experience continues to be positive. Our securitisation programme enables us to access sustainable funding. The Board oversees our risk exposure through a series of risk appetite statements around each of our principal and secondary risks. A full description of the principal risks facing the business, together with how they are managed, are set out on pages 31-34.

Regulatory Landscape

Following a change in regulatory oversight in 2014 for all consumer credit firms, the Group's principal trading subsidiary, Premium Credit Limited, was given interim permission by the FCA. In May 2015, we submitted an application for full authorisation to conduct regulated consumer credit business and we await the FCA's review of our application. Meanwhile, the Board and Executive Committee continue to invest considerable resources to ensure the conduct of our business is in compliance with the principles and spirit of all the FCA's regulations, including Consumer Credit and Conduct risk.

Technology

We continue to invest in technology to improve our offering to, and integration with, our network partners and intermediaries, and to improve the experience and journeys of our customers.

Reporting

Our ultimate controlling party, Cinven Partners, is a UK private equity fund. Accordingly, the Annual Report and Financial Statements for 2015 have been prepared in accordance with the Walker Guidelines for UK companies in private equity ownership. In addition, we are adopting IFRS in the preparation of consolidated financial statements and new UK GAAP (FRS 101) in the preparation of statutory accounts in accordance with the UK Companies Act.

The Group recognises that its success to date and continued future growth is dependent on the loyalty and commitment of its employees. Whilst 2015 was a year of change, we would like to thank all employees for their hard work and commitment to achieve the Group's objectives and strong performance.

In 2016 we look forward to consolidating these changes and focusing on delivering our strategic aims.

Future Outlook

We remain confident that our strategy and proven business model will continue to deliver long term and sustainable value to our business partners, customers, employees and shareholders.

We see continued growth in our core markets, whilst ensuring that we balance risk and rewards.

Thomas Woolgrove
Chief Executive Officer

STRATEGIC REPORT (continued)

VISION AND VALUES

Our Vision

"To make our customers' lives and aspirations affordable"

Our values

Understanding in our actions

Listening to our customers and **treating them fairly**

Simplicity in our processes

Clarity in our communications

Working hard and smartly to **succeed together**

Operating **honestly, ethically and profitably**

STRATEGIC REPORT (continued)

BUSINESS MODEL

Premium Credit is the number one Insurance Premium Finance Company in the UK and Ireland. We also provide the finance to pay annual fees such as professional and school fees. In 2015, we had more than two million customers and achieved annual net advances of £3.4 billion, processing 29.3 million direct debits.

WHAT WE DO

The Group provides instalment finance and payments services via our network of intermediaries to over two million individuals and SME businesses in the UK and Ireland. The network consists of firms who typically charge for their services on an instalment basis such as insurance brokers, membership organisations and leisure facility providers.

We provide advances to our end-customers which they use to pay insurance premiums and other service fees such as school, professional membership, sports and leisure fees. We receive payments on these advances from our end-customers on a monthly basis. Our size and long operational history allowed us to develop an advanced and scalable Information Technology system which allows us to provide our intermediaries and other clients with a critical service as we are able to service a high volume of payments and collect amounts outstanding on our advances on a reliable and continual basis. We work with a diverse network of over 3,000 leading brokers, insurers and other intermediaries who offer our financing products to end-customers, and we believe we have strong and resilient relationships with our key intermediaries.

HOW WE GENERATE INCOME

Our income stream derives from a combination of interest income on amounts we have advanced to our mutual customers and fees receivable for services we deliver.

OUR MARKET POSITION

We are a UK leader in the processing and financing of instalment services. We have an unrivalled position in the insurance industry, a sector that is characterised by stable and regular annual payment profiles. Our nearest competitors are other finance providers such as banks and non-bank credit providers. We believe our competitive advantage lies within our technology offering that integrates seamlessly with our distributed network partners systems and our integration into our intermediaries systems.

STRATEGIC REPORT (continued)

Our unique selling points include:

- **Long term strategic partnerships** – we are one of only two major providers in the instalment fee lending market and our relationship with 12 of our top 15 network partners has spanned more than 10 years;
- **Platform technology and network** – our information technology platform enables point of sale financing and is fully integrated into the business of our network partners;
- **Scale and scalability** – our systems hold a vast amount of customer data on behalf of our network partners permitting us to process over 29 million direct debit transactions in a year on behalf of over 2 million customers;
- **Deep insurance industry credit expertise** – our financing solutions provide us with multiple layers of credit protection, our credit loss rate in 2015 averaged 0.33% of our net advances in the year (2014: 0.39%). These loss rates are significantly lower and less volatile than other forms of consumer finance.

OUR CORE SERVICES

The outsourcing of our transaction processing provides our network of intermediaries with a pragmatic approach to business funding and their customers with short-term flexible credit facilities.

We offer three services which can be purchased discreetly but are generally acquired in unison, depending upon the network partners chosen objectives:

1. **Check** – our platform systems take the process of credit checking customers to the forefront of our partners' sales process. Utilising our proprietary technology our network partners are able to quickly and expertly check the credit standing of their customers and adjust product pricing accordingly. Our market leading position, particularly in insurance, provides deep insight into insurance industry trends and practice from which we are able to leverage the credit mediation process.

2. **Fund** – our platform and deep industry expertise allows us to offer competitive finance facilities to both network partners and customers through the transfer, mitigation and enhancement of credit risk specifically to our non-recourse partners. Our scale and resilient processing platform allows us to consolidate and securitise these instalments, allowing us to access and provide a sustainable and affordable source of funding and liquidity. This frees up the resources of network partners to focus on the suitability and availability of the end customer product proposition.

3. **Transact** – our technology platform enables quick and simple settlement of all cash flows from the network partners' perspective. From customer to intermediary and intermediary to end supplier, our payment technology system enables for rapid bulk processing of payments in a safe and compliant environment.

STRATEGIC REPORT (continued)

STRATEGY

The Group's objective is to be the leading provider of instalment credit in its chosen markets, and by leveraging our strong partner relationships, technology platforms and scale efficiency, we will deliver value for customers and generate long term, sustainable growth in shareholder returns.

The majority of our earnings stream originates from the financing of insurance premiums. Insurance is an essential product for many borrowers, and is often a legal requirement. Our point-of-sale lending services are highly integrated with our intermediaries' systems resulting in low cost credit.

To deliver our objectives, we have embedded a number of core values into the business. These values help our employees to run our business in a sustainable, responsible way, for the benefit of our commercial partners and our mutual customers.

To deliver our mission, we have five broad strategic aims:

1. Developing strong relationships with our distribution partners, adding value to their customers;
2. Developing stable and flexible technology platforms, that deliver improved customer experience, enhanced analytics and streamlined processing;
3. Leveraging an efficient and scalable operating platform;
4. Creating a strong risk and governance framework, that ensures fair outcomes for customers;
5. Maintaining a secure, diverse and stable funding structure.

Developing strong relationships with our distribution partners, adding value to their customers

Our focus is on providing affordable instalment credit to help individuals and SME's smooth cash flows during the year. We believe this area of the market offers reasonable margins and sustainable returns, and is valued by customers. Our lending to a wide ranging customer base means that our credit risk is diversified.

Our distribution partners are at the heart of our business and our financing solutions are such that we can only maintain a sustainable business model if the interests of our partners and their customers are at the forefront of our business processes.

We manage, monitor and support our partners via a dedicated relationship team to ensure dealings with our customers are ethical, in compliance with applicable regulatory requirements and of a consistently high standard. We are seeking to leverage better analytics and insight to support our partner's performance management and objectives.

We will continue to identify adjacent markets that allow us deliver further growth and earnings diversification, that leverage our core capabilities, expertise, technology and operating platforms.

STRATEGIC REPORT (continued)

Developing stable and flexible technology platforms, that deliver improved customer experience, enhanced analytics and streamlined processing

The majority of our lending is integrated into our partner's point-of-sale, allowing straight through and automated processing. We are actively processing over 29 million direct debits each year, so stable and resilient systems and operating platforms are critical. We will continue to invest in our technology platforms, to enhance our product and service offers, delivering further integration with our partners, and improving our overall customer experience.

We will also seek to better leverage our significant data, by utilising improved analytics and CRM tools to support our partners and deliver improved business outcomes.

Leveraging an efficient and scalable operating platform

Our business is highly efficient, leveraging our technology platforms and integration with our partners to process high volumes of transactions cost effectively. As we continue to grow our lending, we will seek opportunities to further improve and enhance our scale efficiency. We will look at our technology architecture and future target operating model to retain and enhance our core competencies, increase operating leverage and consistently deliver improved customer experience.

Creating a strong risk and governance framework, that ensures fair outcomes for customers

Premium Credit, the Group's principal trading subsidiary, is regulated by the Financial Conduct Authority. Given the high number of customers we serve, we will continue to manage our business within a strong risk and governance framework, and will continue to invest in strengthening our operational processes and controls that will ensure fair outcomes for customers. A well managed and governed business is critical to maintaining stakeholder's confidence and delivering sustainable shareholder returns.

The Company is predominantly exposed to Credit risk and Liquidity risk. For Credit risk, the Group has multiple layers of credit protection available to us. These protections arise as our earnings stream derives predominantly from the financing of cancellable and rebateable services. As a result our loss rates are low and show little volatility through the economic cycle. We will continue to invest resources in strong credit underwriting to maintain these low loss rates.

Maintaining a secure, diverse and stable funding structure

Funding is provided from a £1.05 billion securitisation facility to September 2018, together with £181.4 million of corporate bonds which mature in May 2021. As at 31 December 2015, £952.5 million (90.7%) was drawn down on the securitisation facility. As we move forward, we will look to ensure sustainability and diversification of our sources of funding.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW

Highlights

The Group delivered another strong financial performance with Adjusted Pro Forma Post Securitisation EBITDA of £66.6 million, an increase of 31.1%. Key trading highlights of the year include:

- Increase of 27% in net interest income to £74.4 million (2014: £58.5 million)
- 4.9% growth in gross loans (2014: 5.7%) with impairment losses contained at £5.6 million (2014: £6.0 million)
- Funding was diversified further with the addition of an overdraft facility of £15 million and extension of the term of the existing securitisation facility from 2017 to 2018

Net Interest Income

The increase in net interest income is attributable to an increase in loan origination with interest income growth of 4% and a decrease in interest expense. The decrease in interest expense is the result of reductions over recent years in the rate of interest on borrowings through the securitisation facility. In addition fees on the undrawn portion of the securitisation facility decreased.

Growth in loans and advances contributed to an increase in fee and commission income. At the same time greater penetration through our existing intermediaries and relationships established with new intermediaries resulted in net fee and commission income increasing to £13.260 million (2014: £9.774 million).

Administrative expenses

Administrative expenses increased to £81.3 million (2014: £57.8 million). The increase is attributable to a goodwill write-off of £13.2 million resulting from the acquisition of the Group by Cinven and the purchased goodwill of the Vendcrown group being written off. Non-staff administration costs increased by £16.1 million and staff administration costs by £7.4 million, the increase is due to the cost of a change in ownership and investment in growth with an emphasis on enhancing our Information Technology infrastructure and Sales teams.

Balance Sheet

Our approach to funding and liquidity is core to our business model. During the year we renegotiated our securitisation facilities by extending the term from 2017 to 2018. In 2014 we diversified our funding sources by issuing a fixed rate bond to professional investors. In 2015 we increased our share capital to £44.5 million by issuing 11.6 million preference shares. In addition an overdraft facility was arranged to further diversify our funding sources.

STRATEGIC REPORT (continued)

EBITDA	2015 £'000	2014 £'000
EBITDA [1]	69,099	66,565
Adjusted EBITDA [2]	84,436	75,009
Adjusted Pro Forma Post-Securitisation EBITDA [3]	66,631	50,787

1) EBITDA represents profit for the period before taxation, interest payable and similar charges, depreciation and amortisation, the latter including goodwill and Securitisation Facility fee amortisation. 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.

2) Adjusted EBITDA represents EBITDA as adjusted for certain transaction costs, pro forma standalone expenses and one-time information technology and other expenses. You should be aware that, as an analytical tool, Adjusted EBITDA is subject to all of the limitations applicable to EBITDA. We may incur expenses similar to the adjustments in this presentation in the future and that certain of these items could be considered recurring in nature. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

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

STRATEGIC REPORT (continued)

The following table reconciles profit to EBITDA, Adjusted EBITDA and Adjusted Post-Securitisation EBITDA for the periods indicated:

	2015 £'000	2014 £'000
EBITDA	**69,099**	**66,565**
Profit/ (loss) for the year before taxation	**3,856**	**(1,405)**
Interest payable and similar charges	38,562	50,014
Depreciation and amortisation	1,969	1,167
Loss on disposal of fixed assets	260	-
Currency loss	1,373	1,423
Amortisation of Securitisation Facility refinancing fees	6,434	4,683
Goodwill written off	13,158	-
Loss on derivative financial instruments	536	10,683
Value Creation Project	2,951	-
EBITDA	**69,099**	**66,565**
Transaction costs	4,643	2,706
One time IT and other expenses	10,694	5,738
Adjusted EBITDA	**84,436**	**75,009**
Securitisation interest expense	(17,805)	(24,222)
Adjusted Post-Securitisation EBITDA	**66,631**	**50,787**

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTANTIES

The principal risks to which the Group is exposed and which could impact significantly on its ability to conduct its business successfully are summarised below.

CATEGORY	RISK	DESCRIPTION
Credit	Customer	Lending may be incorrectly targeted or customers may become less able to service debt, exposing the Group to losses.
	Counterparty	Failure of our producers/intermediaries and recourse in the event of customer default.
Operational	Regulatory	Failure to comply with regulatory requirements would risk financial and reputational damage. The Group operates in sectors which are highly regulated and are becoming more so.
	Systems	Substantial IT systems are required to support the operations of the Group and guard against cyber-attack. Failures could result in losses.
Interest rate, liquidity and capital risk	Interest rate	Reduction in spread between borrowing rates and lending rates would impact profit.
	Liquidity and capital	Inability to renew its securitisation facility could restrict lending.
Conduct and Compliance	Fair outcomes	Failure to deliver appropriate customer outcomes would impact on the Group's reputation and its financial performance.
Business	Economic	A severe downturn in the UK and Ireland would impact our customers' ability to pay.
	Competition	Profitability could be eroded by competitor activity.

The Group has considered and responded to all these risks, mitigating the exposure as far as practicable. Further details are included in the Corporate Governance section.

STRATEGIC REPORT (continued)

SUSTAINABILITY REPORT

The Group believes that the long-term interests of shareholders, employees, customers and other stakeholders are best served by acting in a socially responsible manner. As such, the Group's aim is to ensure that a high standard of corporate governance and corporate responsibility is maintained in all areas of its business and operations.

EMPLOYEES

The Group is committed to attracting, developing and retaining the best talent in order to achieve its strategic objectives. Key initiatives include:

- An employee engagement programme focusing on training and development. This includes online training for all staff on our new electronic learning platform (Premium Credit Academy);
- Strengthening recruitment to reflect the complexity of the business and include a graduate programme; and
- Investing in building skills in important capabilities e.g. technology, data analytics, lean management and cost analytics.

Equality and diversity

The Group is committed to employment policies which follow best practice on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Composition of the workforce

We have over 380 employees working in the UK and Ireland. We employ individuals with diverse backgrounds and the table below shows our gender diversity at year-end:

	2015		**2014**	
	Men	**Women**	**Men**	**Women**
The Board	100%	0%	83%	17%
Senior management	83%	17%	87%	13%
Other employees	51%	49%	48%	52%
Total	**54%**	**46%**	**51%**	**49%**

STRATEGIC REPORT (continued)

The Group seeks to operate as a responsible employer and has adopted corporate values to promote standards designed to help employees in their conduct and business relationships. Policies in place support equal opportunities and diversity, health and safety, and anti-bribery and corruption.

It is the Group's policy to conduct business in an honest, open and ethical manner. A zero tolerance approach is taken to bribery and corruption, harassment, bullying and discrimination.

The Group is committed to providing equal opportunities throughout the Group. Recruitment, selection, training, promotion or any other aspect relating to a person's employment with the Group are made regardless of gender, sexual orientation, disability, marital status, age, race, colour, ethnic origin, nationality, religious or political beliefs.

The Group recognises that its success to date and continued future growth are dependent on the loyalty and commitment of its employees. To this end, the Group has in place competitive reward and benefit programmes, appropriate training and personal development programmes, and ways to encourage and recognise outstanding performance. The Group has a continuous approach to developing high performance teams, and we will identify schemes to enable all staff to participate directly in the success of the Group.

Internal communications have been enhanced providing more detailed information and understanding for staff on the progress and development of the Group. Staff engagement has been increased through the establishment of staff social committees, run by the staff for the staff.

Health and safety policy

The Group's health and safety policy is to maintain a safe and healthy working environment and to ensure the health, safety and welfare of all its employees and the general public. There were no significant incidents in the workplace during the year (2014: none).

ENVIRONMENT

The Group is engaged in financing of insurance premiums and instalment services and therefore its overall environmental impact is considered to be low. The main impacts of the Group are limited to universal environmental issues such as resource use, procurement in offices and business travel.

The Group complies with all applicable laws and regulation regarding the environment. We are committed to the reduction of physical waste within the business through improved efficiency and we are currently running a paperless project to reduce our carbon footprint. At our Head Office we encourage the use of mobile devices in meetings, upgrading to more energy efficient printers and reducing the number of available printers. We continue to invest in implementing digital solutions that encourage our customers to adopt "e-signing" for credit agreements and to use online portals to monitor and manage their accounts.

STRATEGIC REPORT (continued)

The Group operates out of two main offices located in Epsom and Dublin, and distributes its products through a network of partners. There is consequently an amount of business related travel between sites and to our partner's offices. The Group has commenced measuring this impact and seeks wherever possible to minimise this through the use of alternative technologies and continues to review all activities to identify opportunities to reduce our carbon footprint.

CORPORATE SOCIAL RESPONSIBILITY

Supporting the community

The Group is working actively with industry bodies, regulators, and other relevant stakeholders to ensure its services are relevant to disadvantaged and financially excluded people and communities.

During the year, the Group made donations of £7,745 (2014: £8,440) to charitable causes. The Group made no political donations during the year (2014: £nil).

We have an active Corporate Social Responsibility ("CSR") committee comprised of internal volunteers who represent the whole business at monthly meetings to drive our agenda forward. The team works closely with the local community and charities and encourages staff to support and participate in local community activities. We currently have a number of formal initiatives underway where our employees have been making a difference to our local communities including:

- Fundraising – supporting organisations within the local community, holding quarterly fundraising days;
- Food bank – made regular contributions to local food banks targeting to provide 430kg each year;
- Volunteering policy – our policy is to support staff during work time; and
- Donations - donated Christmas gifts to local disadvantaged children.

Approved by the Board on 25 April 2016 and signed on its behalf by:

Thomas Woolgrove
Director

GOVERNANCE

BOARD OF DIRECTORS

The Directors who held office during the year or at the date of signing the financial statements, unless otherwise stated, are:

Name	**Title**
Thomas Woolgrove	Director and Chief Executive Officer (appointed 11 January 2016)
John Reeve	Non-executive Director
Peter Catterall	Non-executive Director (appointed 27 February 2015)
Maxim Crewe	Non-executive Director (appointed 27 February 2015)
Anthony Santospirito	Non-executive Director (appointed 27 February 2015)
Chris Burke	Non-executive Director (appointed 5 March 2015)
David Young	Non-executive Director (appointed 11 January 2016)
Andrew Doman	Director and Chief Executive Officer (resigned 17 December 2015)
Aaron Cohen	Non-executive Director (resigned 27 February 2015)
Michael Hollander	Non-executive Director (resigned 27 February 2015)
Collin Roche	Non-executive Director (resigned 27 February 2015)
Laurel Powers-Freeling	Non-executive Director (resigned 28 October 2015)

Director of Premium Credit Limited:

Name	**Title**
Colin Keogh	Chairman (appointed 28 October 2015)

A brief description of the business experience and qualifications of the Directors who held office at the date of signing the financial statements may be found below.

Colin Keogh – Non-executive Chairman (PCL) (from 28 October 2015)

Colin Keogh was appointed Non-executive Chairman of Premium Credit Limited, the Group’s trading subsidiary, on 28 October 2015. He brings a wealth of experience to the role having spent his career in financial services, principally at Close Brothers where he worked for 24 years. During that time he held a number of senior management and board positions and was Chief Executive Officer from 2002 until 2009. He has an MA in Law from the University of Oxford and an MBA from INSEAD. Since leaving Close Brothers he has held a number of non-executive directorships in a wide range of sectors, including Virgin Money the London listed retail bank and Hiscox Limited the FTSE 250 insurance company.

GOVERNANCE (continued)

Thomas Woolgrove (Chief Executive from 11 January 2016)

Tom was appointed Chief Executive on 11 January 2016. Previously, Tom was Interim Deputy CEO at OakNorth Bank, a new challenger bank, and Interim CEO of Flood Re, the new industry led reinsurance vehicle for safeguarding affordable UK flood insurance. From 2010 - 2014, as Managing Director, UK Personal Lines, he led Direct Line Group's largest business unit and played a key part in the successful Direct Line Group IPO in October 2012. At Lloyds Banking Group and HBOS, he held various Managing Director roles in both banking and insurance, and was a strategy consultant at Gemini Consulting, part of the Cap Gemini group. Tom is a Past President of the Chartered Insurance Institute and a former member of the Association of British Insurers General Insurance committee. He holds an MBA from the University of Chicago Booth School of Business, where he was a Fulbright scholar, and a Master's degree in Engineering and Management from Oxford University.

Peter Catterall - Non-executive Director and representative of Cinven Partners LLP

Peter joined Cinven Partners LLP ("Cinven") in 1997 and is a Partner in the Financial Services and Consumer sector teams. He has been involved in numerous transactions at Cinven, including Partnership Assurance Group plc, Avolon Aerospace Leasing Limited and The Gondola Group Limited.

Maxim Crewe - Non-executive Director and representative of Cinven Partners LLP

Maxim joined Cinven in 2006 and is a member of the Consumer sector team and the UK and Ireland regional team. He has been involved in a number of transactions, including Avolon, Guardian Financial Services, Gala Coral, Partnership and Premium Credit Limited. Previously he worked at Citigroup where he was involved in corporate finance within the European Retail and Consumer Group. Maxim has an MA in Politics, Philosophy and Economics from Oxford University.

Anthony Santospirito - Non-executive Director and representative of Cinven Partners LLP

Anthony joined Cinven in 2011 and is a member of the Business Services sector team and the UK and Ireland regional team. Previously, Anthony was an Associate at Morgan Stanley in the Investment Banking Division, working across a range of sectors including media, mining, financial services, retail and utilities. Anthony graduated from Oxford University with an MA in Mathematics.

John Reeve - Non-executive Director

John Reeve was appointed independent Director of PCL in 2012. Prior to that John served as Chairman and Chief Executive Officer of Willis Group Holdings, a multinational risk advisor, insurance brokerage and reinsurance brokerage company with its headquarters in London. John completed a five year tenure at Willis Group Holdings from 1995 to 2000, during which a consortium of investors (including six insurance carriers) led by private equity sponsor Kohlberg Kravis Roberts acquired the company in a leveraged buyout. John retired from his executive functions in the year 2000. John is a Chartered Accountant and a Companion of the Chartered Management Institute. John

GOVERNANCE (continued)

is also Chairman of Temple Bar Investment Trust PLC and was formerly CEO of Sun Life Assurance Society PLC between 1987 and 1995. He was also a Board member of the Association of British Insurers and International Insurance Society Inc.

Chris Burke - Non-executive Director

Chris Burke is a former Managing Director of Research in Motion across Europe, Middle East and Africa. Chris has had a distinguished career in telecommunications and technology. From 2001 to 2004 he held the position of Chief Technology Officer at Vodafone UK, responsible for all Vodafone's technology and product architecture. He is currently chairman of MusicQubed and Navmii and holds board positions with Dialog Semiconductor, Dtex and Fly Victor. Chris graduated from Acadia University with Bachelor's degree in Computer Science.

David Young - Non-executive Director

David Young joined the group as a Non-executive Director in January 2016. Having qualified both as a Chartered Accountant and Chartered Tax Adviser and following an early career in investment banking, he became Finance Director, Chief Operating Officer and latterly Chief Executive of a quoted insurance broking group. Since 1999, he has specialised in being a Non-executive director of businesses in the insurance, consumer finance and investment markets, particularly those that need to respond to changing financial services regulation and/or are private-equity owned. He is also a Non-executive director and Audit Committee chair of Watchstone Group Plc, British Gas Insurance group, Key Group and other private companies.

GOVERNANCE (continued)

EXECUTIVE COMMITTEE

Key members of our executive committee at the date of signing the financial statements are:

Name	Title
Thomas Woolgrove	Chief Executive Officer (appointed 11 January 2016)
Nayan Kisnadwala	Group Chief Financial Officer and Chief Operating Officer
Robert Allan	Chief Financial Officer
Gopinath Chelliah	Chief Digital Officer
Simon Moran	Head of Insurance and Chief Marketing Officer
Roger Brown	Head of New Markets
Jasan Fitzpatrick	General Counsel and Company Secretary

Set out below is a brief description of the business experience and qualifications of our executive committee:

Nayan Kisnadwala – Group Chief Financial Officer and Chief Operating Officer

Nayan Kisnadwala was appointed as Group Chief Financial Officer of PCL on 22 July 2015. Nayan has had divisional, geographic and group Finance leadership roles in the Financial Services/Payments Industries for the last 3 decades in USA, UK and Asia. He has held senior roles at a number of international financial services companies including Citigroup, American Express, RBS and most recently, Barclays. He is a Chartered Accountant from India and has an MBA in Finance from Stern Business School, NYU.

Robert Allan – Chief Financial Officer

Robert Allan joined Premium Credit Limited in 2004 and currently holds the position of Chief Financial Officer. Prior to that Robert served as European Finance Director with Equifax, a Global consumer credit reporting agency, from 1993 to 2004. He is a graduate of the University of Leeds with a Bachelor's degree in Mathematics and Management. He qualified with Ernst and Whinney and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Gopinath Chelliah

Gopi Chelliah joined us in October 2012 and is currently the Chief Digital Officer. Prior to that, from 2010 to 2012, he served as global Head of Technology and Operations at Russell Investments, a global investment consultancy, and as Chief Operating Officer for the wholesale banking division of ING from 2008 to 2010. He graduated from the University of Surrey with a Bachelor in Electronic Engineering and is Chartered Management Accountant.

GOVERNANCE (continued)

Simon Moran

Simon Moran joined us in 1998 and currently holds the position of Head of Insurance and Chief Marketing Officer. Simon is responsible for sales performance, and prior to that he held senior positions in Underwriting and Sales, most recently with Transamerica Insurance Finance Company.

Roger Brown

Roger Brown joined us in January 2013 and currently holds the position of Head of New Markets. Prior to that he held senior positions at various companies across the insurance industry, including the position of Divisional Finance Director at Capita’s General Insurance Division from 2010 to 2013, Finance Director at Cullum Capital Ventures, a leading insurance intermediary consolidation group from 2005 to 2010, Director of Close Premium Finance, an insurance premium financing company from 1999 to 2005, Managing Director of Premium Payment Plan, insurance premium financing company, from 1997 to 1999 (subsequently sold to Close Brothers), Operations Director at Transamerica Insurance Finance, a provider of financial services and insurance, from 1994 to 1997, and prior to that an Accountant at Willis Faber. Roger graduated from UCE in Birmingham with a BA in Economics and is a Fellow of the Chartered Institute of Management Accountants (CGMA).

Jasan Fitzpatrick

Jasan Fitzpatrick joined us in April 2013 and currently is General Counsel and Company Secretary. Prior to joining us he was General Counsel and Company Secretary at Northern Rock. Jasan graduated from Manchester University with a Bachelor in Law.

GOVERNANCE (continued)

CORPORATE GOVERNANCE

GOVERNANCE FRAMEWORK

The Board has overall responsibility for the strategic aims for the business, in line with delegated authority from the shareholder and in some circumstances subject to shareholder approval, within a control framework, which is designed to enable risk to be assessed and managed. The Board satisfies itself that financial controls and systems of risk management are robust. In order to support effective corporate governance and discharge the wide range of responsibilities. That framework is detailed below.

The Group's trading activities are through its wholly owned subsidiary Premium Credit Limited ("PCL") and its Board. The Board's work is supported by three sub-committees of PCL, illustrated in the chart below.

Board

The PCL Board met six times during the course of the year and is responsible for determining the strategy and direction of the Group. The Board has a schedule of reserved matters and following the acquisition of the Group by Cinven, has been strengthen with the addition of a Chairman of the Board and a Chairman of the Risk Committee.

GOVERNANCE (continued)

Board committees

Audit Committee

The role of the Audit Committee includes reviewing and recommending financial statements to the Board for approval; monitoring accounting policies and practices for compliance with relevant accounting standards; reviewing significant judgements, assumptions and estimates in the preparation of financial statements; reviewing the scope and results of the annual external audit and maintaining a professional relationship with the external auditors; and overseeing the internal audit function and the internal audit programme.

Risk and Compliance Committee

The role of the Risk and Compliance Committee includes the oversight and challenge of the Group's risk appetite and the recommendation to the Board of any changes to risk appetite, the assessment of any future risks, the review and challenge, where appropriate, of the outputs from the Asset and Liability Management Committee (ALCO) and to ensure that a suitable risk culture is embedded in the business. The Committee also oversees the arrangements relating to regulatory compliance.

Remuneration Committee

The Committee reviews the Group's remuneration policy and makes recommendations to the Board on the remuneration of Executive Directors and the Chairman. It also sets and monitors performance criteria for all incentive schemes. In addition to Directors' remuneration, the Committee oversees any major changes in employee benefit schemes throughout the Group.

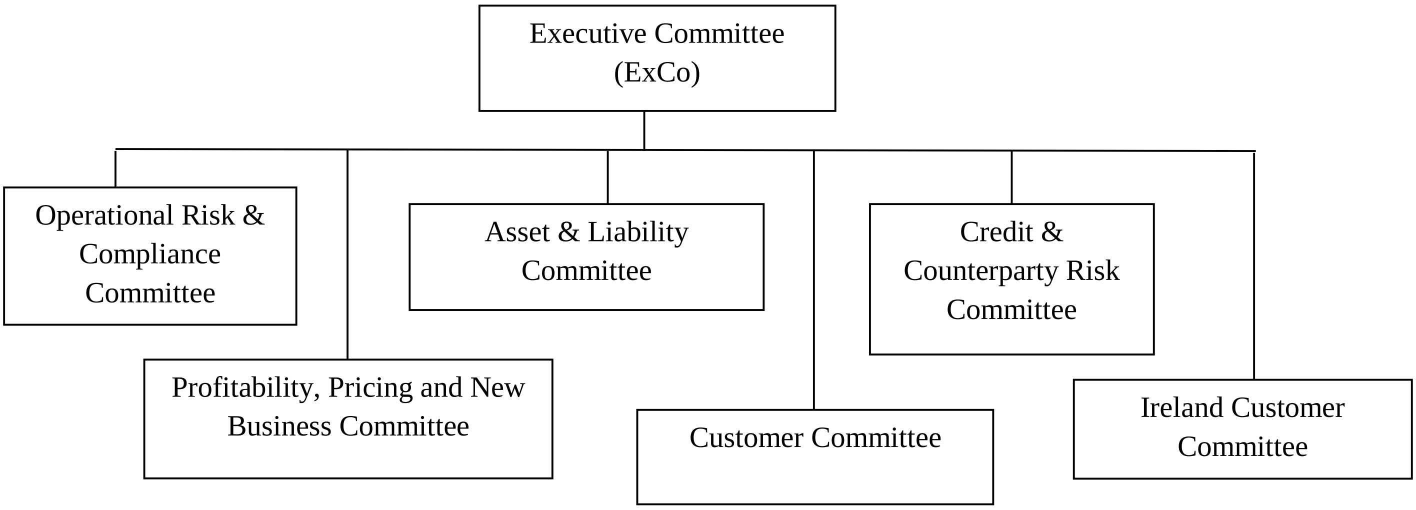
All Board committees operate within defined terms of reference and sufficient resources are made available to them to undertake their duties. Directors who are unable to attend meetings will receive the papers and any comments will be reported to the relevant meeting. Directors have attended a number of ad hoc meetings during the year in addition to the regular Board meetings and have contributed to discussions outside of the regular meeting calendar.

GOVERNANCE (continued)

Executive Committees

The Board has delegated day to day running of the business to the Chief Executive. The Chief Executive has established the Executive Committee ("ExCo") and its sub-Committees to assist in the management of the business and deliver against the strategy in an effective and controlled way. The ExCo provides general executive management of the business and facilitates cross functional communication and liaison. The relevant ExCo member is accountable to the Chief Executive and to the Board for managing performance and risk to deliver the Group's strategy, long-term plan and annual budget.

The structure of the Executive Committees reporting to ExCo is illustrated below:



Operational Risk and Compliance Committee

The Operational Risk and Compliance Committee comprises heads of the relevant functions and is chaired by the Group's General Counsel. The Committee is responsible for overseeing and monitoring operational risk management and compliance systems, ensuring that the business is operating within its risk appetite. It considers key operational risk information such as loss events, emerging risks and control failures. With respect to compliance, the Committee is responsible for overseeing the maintenance of effective systems and controls to meet regulatory and conduct obligations and for countering the risk that the Group might be used to further financial crime. It is also responsible for reviewing the quality, adequacy, resources, scope and nature of the compliance function, including the annual Compliance Monitoring Plan.

GOVERNANCE (continued)

Asset and Liability Committee ("ALCO")

ALCO is chaired by the Chief Financial Officer. The principal purpose of the ALCO is to monitor and review the financial risk management of the Group's balance sheet. It is responsible for overseeing all aspects of market risk, liquidity risk and capital management as well as the treasury control framework. ALCO will report key recommendations on actions required.

Credit and Counterparty Risk Committee ("CCRM")

The CCRM committee is chaired by the CEO. The CCRM committee approves credit risk policies and defines risk ratings and underwriting criteria. The Committee oversees the management of the credit portfolio, the post origination risk management processes and the management of overdue and impaired credit accounts. It also makes recommendations for credit risk appetite and monitors performance against guardrails on an on-going basis.

Profitability, Pricing and New Business Committee

The Profitability, Pricing and New Business Committee is chaired by the Head of New Markets. The Committee has responsibility for the monitoring of partner profitability, pricing and new business initiatives. The Committee is responsible for the approval of pricing strategy of existing and new business initiatives and defines acceptable financial returns.

Customer Committee

The Customer Committee is chaired by the Group Chief Financial Officer. The committee approves policy statements for (i) treating customers fairly (ii) arrears collections and debt recovery (iii) vulnerable customers and (iv) complaints. The Committee is also responsible for monitoring the FCA's principal 6 on customer outcomes and conduct risk and customer complaints.

Ireland Customer Committee

Ireland Customer Committee is chaired by the Chief Marketing Officer. The Committee has responsibility for the monitoring the sales, financial and operational performance of PCL Ireland. It also has responsibility for overseeing and monitoring operational risk management and compliance systems ensuring that the business operates within agreed policies.

GOVERNANCE (continued)

RISK MANAGEMENT

The PCL Board operates with a schedule of reserved matters with a delegation of authority to the CEO and the Executive Committee. PCL has a comprehensive framework to effectively manage these risk classes to ensure that the business operates within regulations and risk appetite.

The Board has overall responsibility for determining the Group's strategy and related risk appetite. The Statement of Risk Appetite determines the type and extent of risks that are acceptable to the Group in achieving the successful delivery of its strategic business objectives. The Board is also responsible for overall corporate governance, which includes ensuring there is a robust and effective system of risk management and the level of capital and liquidity held is adequate and consistent with the risk profile of the business.

To support this, the Group has established a Risk Management Framework and a formal governance structure to identify, monitor and manage risks across its operations. The risk management framework is overseen by the Risk and Compliance Committee on behalf of the Board. The Committee is required to consider the nature and extent of the risks facing the Group, keep them under review, review the framework to mitigate such risks and notify the Board of changes in the status and control of risks.

The Chief Executive has established an Executive Committee (ExCo) and sub-committees and details of these committees may be found on page 28 to 29.

Three lines of Defence Model

The Committee structures outlined form the governance of risk in a management framework organised with the Three Lines of Defence model as follows:

- **The First line of defence -** line managers are responsible for establishing an effective control framework within their area of operations and identifying and controlling all risks so that they are operating within the organisational risk appetite and are fully compliant with Group policies and where appropriate defined thresholds and limits. They also devise and manage appropriate key risk indicators, management information and assurance processes to ensure their control framework is robust and effective.

- **The Second line of defence -** the Risk Management function is responsible for proposing to the Board appropriate objectives and measures to define the Group's risk appetite and for devising a suite of policies necessary to control the business including the overarching framework, independently monitoring the risk profile and providing additional assurance where required. Risk Management will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise wide risks and make recommendations to address them.

- **The Third line of defence -** the Internal Audit function is responsible for independent assessment of the adequacy and effectiveness of internal controls and the system of risk management.

GOVERNANCE (continued)

Risk management approach

The Board has overall responsibility for determining the Group's strategy and related risk appetite. The Statement of Risk Appetite determines the type and extent of risks that are acceptable to the Group in achieving the successful delivery of its strategic business objectives. The Board is also responsible for overall corporate governance, which includes ensuring there is a robust and effective system of risk management and the level of capital and liquidity held is adequate and consistent with the risk profile of the business.

To support this, the Group has established a Risk Management Framework and a formal governance structure to identify, monitor and manage risks across its operations. The risk management framework is overseen by the Risk and Compliance Committee on behalf of the Board. The Committee is required to consider the nature and extent of the risks facing the Group, keep them under review, review the framework to mitigate such risks and notify the Board of changes in the status and control of risks. The Risk and Compliance Committee reviews the risk register quarterly and reports to the Board quarterly.

PRINCIPAL RISKS AND MITIGATION

The Group is exposed to a variety of risks through its day to day operations. The principal risks and how they are managed are detailed below:

Credit Risk	
Description	**Mitigation**
PCL provides finance to individuals, partnerships and companies who wish to pay annual payments monthly. There is a risk that adverse changes in the economic environment or in the credit quality of our borrowers results in additional impairment losses that could affect financial performance.	For our recourse products, Credit Risk is mitigated through the commercial arrangements that we have with our credit intermediaries. In circumstances where borrowers default, outstanding balances are received from our intermediary partners through a deduction from commission payments. For non-recourse products, Group has credit risk policies in place that set out detailed criteria for credit checks that must be satisfied before a loan will be made prior to the extension of lending facilities. In addition, a significant proportion of non-recourse lending is undertaken in circumstances where the borrower grants security over the proceeds of their insurance policies and any return of premium that may be made in circumstances where the insurance is cancelled early. The credit risk function provides regular reports to the Credit Committee and to the Risk Committee on the performance of the Group's lending portfolios. In addition the Group has rigorous and robust processes in place to manage arrears.

GOVERNANCE (continued)

Regulatory Risk	
Description	**Mitigation**
The risk of loss arising from a breach of existing regulation or the imposition of adverse future regulatory changes in the markets which the Group operates within. Premium Credit Limited currently has interim permission from the FCA following the transfer of regulatory oversight from the OFT and expects to receive full authorisation from the FCA in 2016.	The Group has Risk and Compliance and Legal teams who review key regulatory developments and who assess the impact on the Group. Expert third party advice is also sought where necessary. The compliance team has developed a formal monitoring plan which is reviewed by the Operational Risk and Compliance Committee. All employees are required to undertake regulatory training.

Counterparty Risk	
Description	**Mitigation**
As referenced in the credit risk section, the Group has a large number of commercial arrangements with credit intermediaries where the first point of recourse is to the intermediary in circumstances where recourse borrowers default. In addition, for non-recourse lending, we have commercial arrangements where commission payments are paid in advance of being collected from the borrower, or where advance finance commission payments are made. These payments can give rise to an exposure whilst the loan repayments are collected from the Borrower for the duration of their loan.	The Group operates an extensive process of due diligence in relation to the credit intermediaries that it enters into trading relationships with. Once a relationship is in place, there is also an ongoing monitoring programme that keeps the financial, regulatory and trading performance of our partners under regular review. Where upfront payments are made, these are subject to a detailed modelling exercise to determine the level of financial risk that we are prepared to accept with any given intermediary.

GOVERNANCE (continued)

Business Risk	
Description	**Mitigation**
The risk of loss arising from the failure of the Group's strategy or management actions over the planning horizon. The business faces competition from other providers of insurance premium and service fees financing in the UK and Ireland as well as from providers of alternative forms of credit. Deteriorating economic conditions may adversely affect demand for our advances or the products for which we provide advances, which may materially and adversely affect our financial condition and results of operations. We depend on our network of intermediaries to sell advances, and any changes to our relationships with intermediaries could materially and adversely affect our business, results of operations and financial condition.	The Group has a strong track record of operating successfully in its chosen markets which is evidenced in its over 25 year history by continually improving its service proposition. The Group maintains strong relationships with its business intermediaries, customers and software house integrators. The Group is active in industry-wide groups that enables markets trends to be identified and addressed. The Group also monitors competitor's products, pricing and position to enable it to consider its proposition.
Operational Risk	
Description	Mitigation
Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and from arrangements with third parties.	The management of Operational Risk is an area of particular focus, with significant investment made to migrate from legacy IT systems to a best in class IT platform that will provide strong foundations for the future evolution of the business. To improve the overall control environment whilst this programme of work continues, continuing investment is being made in the development of risk management frameworks, systems and processes.
Reputational Risk	
Description	Mitigation
The risk that an event or circumstance could adversely impact on the Group's reputation, including adverse publicity from the activities of legislators, pressure groups and the media. Our reputation, customer relationships and results of operations may be negatively impacted by the actions of our intermediaries. If our external service providers and vendors are unable to or do not fulfil their obligations, our operations could be disrupted and our operating results could be harmed.	The Group has a strong corporate governance framework. There is a strong enterprise risk management framework with documented policies and procedures throughout the Group. The Group has an established crisis management team in the event there is a major event that may trigger a negative impact on the Group. The Group complies with current laws and regulations and monitors and enforces existing policies and procedures. The Group instils a risk management culture by creating awareness at all levels of staff.

GOVERNANCE (continued)

Interest Rate Risk	
Description	**Mitigation**
The Group is exposed to the risk that changes in interest rates may adversely affect its profitability. Specifically the Group's net income is determined by the difference between the interest rates at which it lends and those at which it borrows.	The Group has a treasury function that is responsible for day to day management and control of its exposure to interest rate risk. The Asset and Liability Committee monitors interest rate risk on a monthly basis and reports to the Risk and Compliance Committee quarterly. The Group manages Interest Rate Risk by maintaining an interest rate swap . In addition, the Group has the ability through contractual rate ratchets to reprice future lending in the event of interest rate rises.
Liquidity Risk	
Description	Mitigation
The risk that the Group will have insufficient liquid resources available to fulfil its strategic lending targets and/or meet its financial obligations as they fall due.	The Group funds its activities through a securitisation facility which is due to expire on 25 September 2018. The Group has completed an annual extension of this facility every year since it was established to ensure that it has committed funding for at least three years.
Conduct and Compliance Risk	
Description	Mitigation
Conduct Risk is the risk that our operating model delivers unfair outcomes for our customers.	The Group has a suite of policies that are focused on the delivery of fair treatment of customers. We have an Operational Risk and Compliance Committee that receives details of all operational risk incidents that impact customers, together with actions to address any unfair customer impact. In addition, our Customer Committee is focused on monitoring detailed metrics that measure customer outcomes. Where any activities are identified that result in unfair customer outcomes, we are focused on ensuring that they are addressed as a matter of priority and that any customer impact is remediated promptly.
Compliance Risk is the risk of regulatory sanction, financial loss or reputational damage arising from a failure to meet applicable regulatory requirements.	The Group has a Legal and Compliance team who review key regulatory developments to ensure that the relevant areas of the business are able to evaluate and prepare for the impact in a timely manner. The Risk and Compliance Committee agrees annual compliance and internal audit plans for monitoring and assurance of regulatory compliance.

GOVERNANCE (continued)

REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated financial statements for the Group for the year ended 31 December 2015.

Principal activities
The principal activity of the Group is the financing and processing of insurance premiums and instalment services in the UK. The Group also operates through a branch in the Republic of Ireland.

Directors and Directors' interests
The Directors who served during the year and up to the date of signing the financial statements may be found on page 21.

Cinven is determined by the Board to be the ultimate controlling party. No Director has an interest in the company's shares. A register of Directors' business interests is held by the Company Secretary.

Directors' indemnity and liability insurance
As permitted by the Articles of Association, the Directors have the benefit of an indemnity, which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Business review and future developments
The Annual Report and financial statements have been prepared to provide shareholders with a fair and balanced review of the Group's business and the outlook for the future development of the business, as well as the principal risks and uncertainties which could affect the Group's performance.

The table below identifies specific information on the Business review:

Content	Section	Page
A detailed review of the Group's business and future developments	Chief Executive's statement Financial review	**6** **14**
Principal risks and uncertainties	Principal risks and uncertainties	**17**
Environmental matters, employee information and community issues	Sustainability report	**18**
Corporate governance	Corporate governance report	**26**

Key Performance Indicators
Key Performance Indicators are used to measure and control both financial and operational performance. Revenues, operating margins, costs and cash are trended to ensure plans are on track and corrective actions are taken where necessary. Operational service performance is also monitored. Key performance indicators are discussed within the Financial Review on pages 5 and 14.

GOVERNANCE (continued)

Treating Customers Fairly
Treating Customers Fairly ("TCF") is central to the Financial Conduct Authority's principles for conduct of business and is a core strategic value embedded into our business model. These strategic values are designed to underpin the longevity of our business model by ensuring that customer outcomes match their understanding and expectations.

Employees
The Group is committed to attracting, developing and retaining the best talent in order to achieve its strategic objectives. Internal communications have been enhanced providing more detailed information and understanding for staff on the progress and development of the Group. Staff engagement has been increased through the establishment of staff social committees. The Group is committed to employment policies which follow best practice on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary. Further information on employees may be found on pages 18 to 19.

Supplier payment policy
The Group agrees appropriate terms and conditions individually with its suppliers. It seeks to abide by these terms provided that the supplier has complied with them.

Principal risks and uncertainties
The Group through its operations is exposed to a number of risks. Further information is provided in the Risk Management Approach on page 17.

Results and dividends
The Group continues to be consistently profitable. The Group's dividend policy determines the pay-out which provides a reasonable return to shareholders whilst also providing funds for potential acquisitions and replenishing the cash balance. However, in the absence of acquisitions, the Group has a track record of returning the additional cash to shareholders.

The Directors paid an interim dividend of £11.6 million on 25 February 2015 (2014: £91.8 million). No final dividend is proposed.

Details of the results for the year are set out in the Consolidated Income Statement on page 42.

Future developments
The Group undertakes research and development on its IT systems to enhance its service offerings. Disclosure of the expenditure and capitalisation of development costs in the year may be found in notes 8 and 18 to the financial statements.

GOVERNANCE (continued)

Going concern

The Group has strengthened its funding position during the year and made substantial progress in diversifying its funding base. In 2014 the Group increased the maturity profile of its debt funding through the issue of a high yield bond to professional investors. This year the Group has extended the term of its securitisation facility from 2017 to 2018 and reduced cost of funding.

Accordingly the Directors have assessed the Group's cashflow 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.

Post balance sheet events

There are no post balance sheet events to be disclosed at the date of approving the financial statements.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GOVERNANCE (continued)

Disclosure of information to auditors
The Directors who held office at the date of approval of this Directors' report confirm that:

(a) so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
(b) each Director has taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 25 April 2016 and signed on its behalf by:

Thomas Woolgrove
Director

Independent auditors' report to the members of Mizzen Mezzco Limited

Report on the group financial statements

Our opinion
In our opinion, Mizzen Mezzco Limited's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
The financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), comprise:

- the consolidated balance sheet as at 31 December 2015;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the parent company financial statements of Mizzen Mezzco Limited for the year ended 31 December 2015.

Matthew Falconer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 April 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Interest income		**112,971**	108,500
Interest expense		**38,562**	50,014
Net interest income	5	**74,409**	**58,486**
Fee and commission income		**18,293**	15,391
Fee and commission expense		**5,033**	5,617
Net fee and commission income	6	**13,260**	**9,774**
Loss on derivative financial instruments	7	**536**	10,683
Total income		**87,133**	**57,577**
Administrative expenses	8	**81,308**	57,815
Depreciation and amortisation	18,19	**1,969**	1,167
Operating expenses		**83,277**	**58,982**
Operating profit / (loss) before tax		**3,856**	**(1,405)**
Income tax expense	10	**344**	491
Operating profit / (loss) for the year attributable to shareholders		**3,512**	**(1,896)**

The notes on pages 47 to 100 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Profit / (loss) after tax for the year		**3,512**	(1,896)
Other comprehensive income			
Items that may subsequently be reclassified to the profit or loss:			
Foreign currency translation losses		**(500)**	(166)
Total items that may subsequently be reclassified to the income statement		**(500)**	(166)
Total comprehensive income/ (expense) for the year		**3,012**	**(2,062)**

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Note	31 Dec 2015 £'000	31 Dec 2014 £'000	1 Jan 2014 £'000
Assets				
Non-current assets				
Intangible assets	18	**5,071**	15,171	13,158
Property, plant and equipment	19	**3,429**	3,342	1,668
Loans and advances to customers	13	**191**	227	187
Deferred tax asset	17	**423**	946	932
Total non-current assets		**9,114**	**19,686**	**15,945**
Current assets				
Loans and advances to customers	13	**1,449,547**	1,380,754	1,302,603
Prepayments and other assets		**7,598**	6,570	9,001
Derivative financial instruments	14	**-**	-	9,748
Cash and cash equivalents	12	**47,987**	57,185	41,857
Total current assets		**1,505,132**	**1,444,509**	**1,363,209**
Total assets		**1,514,246**	**1,464,195**	**1,379,154**
Liabilities				
Non-current liabilities				
Mezzanine finance loan		**-**	-	40,800
Deferred tax liabilities	17	**-**	33	18
Debt securities in issue	23	**1,134,005**	1,105,923	855,734
Total non-current liabilities		**1,134,005**	**1,105,956**	**896,552**
Current liabilities				
Trade payables		**403,797**	387,583	364,594
Finance lease liabilities	22	**-**	211	529
Derivative financial instruments	14	**1,472**	936	-
Amounts owed to related parties	21	**10,934**	9,366	68,606
Accruals and deferred income	20	**18,459**	17,576	12,402
Total current liabilities		**434,662**	**415,672**	**446,131**
Total liabilities		**1,568,667**	**1,521,628**	**1,342,683**
Equity				
Called up share capital	24	**44,502**	32,921	32,921
Retained earnings		**(98,241)**	(90,172)	3,566
Other reserves	25	**(682)**	(182)	(16)
Total shareholders' equity		**(54,421)**	**(57,433)**	**36,471**
Total liabilities & equity		**1,514,246**	**1,464,195**	**1,379,154**

The financial statements on pages 42 to 100 were approved by the Board on 25 April 2016 and signed on its behalf by:

Thomas Woolgrove, Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

£'000	Note	**Share capital**	**Retained earnings**	**Other reserves**	**Total equity**
At 31 December 2013 under UK GAAP		**32,921**	**(7,364)**	**(16)**	**25,541**
Effect of changes in accounting policies	33	-	10,930	-	**10,930**
At 1 January 2014 (restated under IFRS)		**32,921**	**3,567**	**(16)**	**36,471**
Loss for the year		-	(1,896)	-	**(1,896)**
Foreign currency translation loss		-	-	(166)	**(166)**
Total comprehensive expense for the year		**-**	**(1,896)**	**(166)**	**(2,062)**
Transactions with owners					
Dividends paid		-	(91,841)	-	**(91,841)**
At 31 December 2014 (restated under IFRS)		**32,921**	**(90,172)**	**(182)**	**(57,433)**
Profit for the year		-	3,512	-	**3,512**
Foreign currency translation losses		-	-	(500)	**(500)**
Total comprehensive income/ (expense) for the year		-	3,512	(500)	**3,012**
Transactions with owners					
Shares issued		11,581	-	-	**11,581**
Dividends paid		-	(11,581)	-	**(11,581)**
At 31 December 2015		**44,502**	**(98,241)**	**(682)**	**(54,421)**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Operating activities			
Cashflow from operating activities	29	**5,680**	**12,806**
Interest paid		(37,442)	(47,845)
Income taxes paid		(1,000)	(2,607)
Cash flows used in operating activities		**(32,762)**	**(37,646)**
Net cashflows from investing activities			
Purchase of non-current assets	18, 19	(5,376)	(4,853)
Cash flows used in investing activities		**(5,376)**	**(4,853)**
Net cashflows from financing activities			
Finance lease payments		(210)	(313)
Increase in borrowings		29,650	250,187
Repayment of borrowings	21	-	(100,040)
Proceeds on issue of preference shares	24	11,581	-
Dividends paid to shareholders	11	(11,581)	(91,841)
Net cashflows used in financing activities		**29,440**	**57,993**
Net (decrease)/increase in cash and cash equivalents		**(8,698)**	**15,494**
Cash and cash equivalents at beginning of year	12	57,185	41,857
Foreign currency translation loss		(500)	(166)
Cash and cash equivalents at end of year		**47,987**	**57,185**

The notes on pages 47 to 100 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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.

Details of subsidiaries and group undertaking are provided in note 15. These consolidated financial statements comprise the financial statements of the Group.

2. Accounting policies

Basis of preparation

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

The consolidated financial statements are presented in sterling which is the functional currency of the Group. The figures shown in the financial statements are rounded to the nearest thousand unless otherwise stated.

These are the Group's first consolidated financial statements prepared under IFRS and IFRS1 has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group are provided in note 33.

Going concern

The Group has strengthened its funding position during the year and has made substantial progress in diversifying its funding base through the issue in 2014 of a high yield corporate bond to professional investors. In addition, a subsidiary entity that is ultimately controlled by the Company has extended the term of its securitisation facility and reduced its cost of funding.

Accordingly, the Directors have assessed the Group's cashflow 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.

a) Accounting convention

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments at fair value.

A summary of the Group's accounting policies is set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

b) Basis of consolidation
The consolidated financial statements of the Group comprise the financial statements of the Company and all consolidated subsidiaries, including a securitisation Special Purpose Vehicle (SPV) (see note 15).

Investment in group undertakings

A subsidiary is an entity in which the Group determines the financial and business policies and is able to exercise control over it in order to benefit from its activities.

The results of subsidiaries are fully consolidated from the date that control commences until the date that control ceases. Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated upon consolidation.

Special purpose vehicles

The Group enters into securitisation transactions in which it assigns receivables to an SPV that supports the issuance of securities backed by the cash flows from the securitised receivables. Although none of the equity of the SPV is owned by the Group, the nature of these entities, which are in substance controlled by the Group, mean that the Group retains substantially all the risks and rewards of ownership of the receivables. As such the SPV is consolidated on a line-by-line basis in the Group consolidated financial statements.

As at 31 December 2015, there were £952.2m notes in issue relating to securitisation transactions (2014: £914.9m, 2013: £855.7m).

c) Net interest income recognition

Interest income and expense for all financial instruments measured at amortised cost are recognised using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of recognising the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees receivable that are an integral part of the instrument's yield, early redemption fees and transaction costs. All contractual and behavioral terms of a financial instrument are considered when estimating future cash flows.

d) Net fee and commission income recognition

Fees in respect of services are recognised on an accrual basis when the service to the customer has been provided. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered. The price is fixed and always determinable. The Group generates fees from the financing of insurance policies and other installment services underwritten or delivered by third party insurers or suppliers. This is based on fee rates that are independent of the profitability of the underlying insurance policies or fee plan.

NOTES TO THE FINANCIAL STATEMENTS (continued)

e) Taxation

The tax expense included in the consolidated income statement consists of current and deferred tax. Tax is recognised in the consolidated income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or equity, respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the reporting date.
Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be realised.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set-off current tax assets against current tax liabilities and it is the intention to settle these on a net basis.

f) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated at the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date of valuation.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

All foreign exchange gains and losses recognised in the consolidated income statement are presented net in the consolidated income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

g) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks.

NOTES TO THE FINANCIAL STATEMENTS (continued)

h) Financial instruments

The Group classifies a financial instrument that it issues as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavorable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Group after the deduction of liabilities.

Financial liabilities

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised costs with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. The Group does not hold any financial liabilities classified as held for trading.

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss (FVTPL), loans and receivables and available-for-sale (AFS). Management determines the classification of its financial instruments at initial recognition. Purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets at FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets held at FVTPL are recognised at fair value with any gains or losses included in the consolidated income statement in the period in which they arise. Transaction costs are expensed at the time of initial recognition. Derivative financial assets are classified as held for trading unless they are accounted for as an effective hedging instrument but are not separately categorised in the statement of financial position.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition at fair value plus transaction costs, these assets are carried at amortised cost using the effective interest method, less any impairment.

i) Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have expired or where substantially all of the risks and rewards of ownership have been transferred and the transfer qualifies for derecognition. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Group under securitisation is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, therefore the criteria for derecognition are not met.

NOTES TO THE FINANCIAL STATEMENTS (continued)

j) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle a liability simultaneously.

k) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as loans and receivables has been incurred, the Group measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows from the asset or group of assets discounted at the effective interest rate of the instrument(s) at initial recognition. Impairment losses are assessed individually for financial assets that are individually significant and collectively for assets that are not individually significant. In making the collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics. Future cash flows from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted, on the basis of currently observable data, to reflect the effects of current conditions that did not affect the historical period.

Impairment losses are recognised in the consolidated income statement and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for impairment losses. If in a subsequent year the amount of the impairment loss reduces and the reduction can be related objectively to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. Once an impairment loss has been recognised on a financial asset or group of financial assets, interest income is recognised on the carrying amount using the rate of interest at which estimated future cash flows were discounted in measuring impairment.

When a loan is deemed uncollectible it is written off against the related provision for loan impairment after all of the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off received from customers or other third parties are recognised directly in the consolidated income statement as a reduction in the loan impairment charge for the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Financial assets classified as available for sale

In the case of investment securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the income statement on investment securities are not reversed through the consolidated income statement.

l) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities. The Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivatives are initially recognised at fair value on the contract date and are remeasured at their fair value at subsequent reporting dates.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Derivatives not in hedge accounting relationships

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the consolidated income statement as they arise.

m) Impairment of non-financial assets

Non-financial assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. In the event that an asset’s carrying amount is determined to be greater than its recoverable amount it is written down immediately. The recoverable amount is the higher of the asset’s fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date with the exception of goodwill.

NOTES TO THE FINANCIAL STATEMENTS (continued)

n) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. All other repairs and maintenance costs are charged to the consolidated income statement in the period in which they are incurred.

Depreciation is charged to the consolidated income statement on a straight-line basis so as to allocate the costs less residual value over their estimated useful lives. Depreciation commences on the date that the asset is brought into use. Work in Progress assets are not depreciated until they are brought into use and transferred to the appropriate category of property, plant and equipment. Estimated useful lives for property, plant and equipment are:

- Vehicles and equipment	3 to 10 years
- Leasehold improvements	15 to 20 years
- Leasehold buildings	15 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in administrative expenses in the consolidated income statement.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

o) Intangible assets

Acquired intangible assets

Intangible assets that are acquired by the Group are stated at historical cost less accumulated amortisation and any impairment losses. Amortisation is charged to the consolidated statement of profit or loss on a straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

- IT development and software	3 to 5 years

NOTES TO THE FINANCIAL STATEMENTS (continued)

Internally generated intangible assets

Research costs are expensed as incurred. Expenditure incurred on the development of software is capitalised only if the following criteria are met:

- Technical feasibility has been demonstrated;
- The intention to complete development project (e.g. allocated budgets and resources, BOD approval);
- The ability to use or sell the results of the project;
- It is probable that the asset created will generate future economic benefits (e.g. existence of the market for the results of the project); and
- The development cost of the asset can be measured reliably.

Only the costs that are directly attributable to generating the intangible assets are capitalised.

The following costs are not capitalised: Operations, General and Administration overheads, annual software licences, training, legal and professional fees related to disputes with suppliers.

Following the initial recognition of development expenditure, the cost is amortised over the estimated useful lives of the assets created. Amortisation commences on the date that the asset is brought into use. As assets categorised as Assets under construction/Work in progress are brought into use the assets are transferred to the appropriate classification within intangible assets. The estimated useful lives are as follows:

- Capitalised development costs 3 - 5 years

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is not subject to amortisation but is tested at least annually for impairment.

p) Employee benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)

q) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party both before and after the business combination, and that control is not transitory.

r) Provisions for liabilities and charges and contingent liabilities

A provision is recognised where there is a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expected expenditure required to settle the obligation. A contingent liability is a possible obligation that is dependent on the outcome of uncertain future events not wholly within the control of the Group, or a present obligation where an outflow of resources is not likely or the amount cannot be reliably measured.

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources is remote.

s) Share capital
Ordinary shares and preference shares are classified as equity.

Dividends
Dividends paid are reported in equity in the period they are approved by the Group's Board.

t) Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group considers the Board of Directors to be its chief operating decision-maker.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

u) Standards, amendments and interpretations , which became effective in the current year and are relevant to the group

During the year ended 31 December 2015 the following accounting standards and amendments to standards have become effective for application by EU and have been applied for the first time for the annual reporting period commencing 1 January 2015:

- Annual Improvements to IFRSs – 2010-2012 Cycle and 2011 – 2013 Cycle
- Defined Benefit Plans: Employee Contributions – Amendments to IAS 19

- *Annual Improvements 2010-2012 and Annual Improvements 2011-2013*
The Annual Improvements process covers minor amendments to IFRS that the IASB consider non-urgent but necessary. The Annual Improvements 2010-2012 and 2011-2013 process resulted in twelve minor changes to standards which are effective for application by EU for annual periods beginning on or after 1 January 2015. The impact of these amendments on the Group is still being assessed.

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in segment note. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

- *Amendment to IAS 19 'Employee benefits: Employee contributions'*
This amendment is effective for application by EU for annual periods beginning on or after 1 February 2015. It provides additional guidance on the accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. There will be no impact on the Group as it does not operate the defined benefit plan.

These amendments merely clarify the existing requirements, they do not affect the group's accounting policies or any of the disclosures.

Significant recent relevant standards, amendments and interpretations, which became effective in the prior year/s and are relevant to the group

- *IFRS 13 'Fair value measurement'*
IFRS 13 became effective for application by EU from 1 January 2013 and sets out a single IFRS framework for defining and measuring fair value. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The application of IFRS 13 has not significantly impacted the fair value measurement of any financial assets or liabilities held by the Group. IFRS 13 has been applied retrospectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

- *Amendments to IAS 1 'Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income'*

The amendments to IAS 1 became effective for application by EU from 1 January 2012 and require items of other comprehensive income to be grouped into those that will be subsequently reclassified to profit or loss and those that will not. The statement of other comprehensive income in these consolidated financial statements has been revised to reflect the new requirements. The amendment to IAS 1 has been applied to disclosures in these consolidated financial statements retrospectively.

- *Amendments to IFRS 7 'Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities'*

The amendments to IFRS 7 became effective for application by EU from 1 January 2013 and require entities to disclose information to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements on the statement of financial position. These additional disclosures are given in note 27. The amendment to IFRS 7 has been applied to disclosures in these consolidated financial statements retrospectively.

- *IAS 19 'Employee benefits (Revised 2011)'*

The revised IAS 19 became effective for application by EU from 1 January 2013 and amends the accounting for employment benefits. There is no impact of these changes on these consolidated financial statements as the Group accounts for pension costs on a contributions basis.

The revised IAS 19 has been applied to disclosures in these consolidated financial statements retrospectively.

- *Annual Improvements 2009-2011*

These amendments became effective for application by EU from 1 January 2013. The Annual Improvements process covers minor amendments to IFRS that the IASB consider non-urgent but necessary. None of the 2009-2011 Annual Improvements have had a material impact on these consolidated financial statements.

- *IAS 27 (revised 2011), 'Separate financial statements'*

The revised IAS 27 is effective for annual periods beginning on or after 1 January 2013, however is endorsed for application by the EU from 1 January 2014. This revised standard contains guidance on the preparation of separate financial statements after the control and consolidation provisions in the previous IAS 27 have been replaced with IFRS 10. This revised standard is not expected to impact the Group.

- *IFRS 10, 'Consolidated financial statements'*

IFRS 10 is effective for annual periods beginning on or after 1 January 2013, however is endorsed for application by the EU from 1 January 2014. This new standard redefines the concept of control in relation to the requirement to prepare consolidated financial statements. This new standard is not expected to impact the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

- *IFRS 12, 'Disclosures of interests in other entities'*
IFRS 12 is effective for annual periods beginning on or after 1 January 2013, however is endorsed for application by the EU from 1 January 2014. This new standard contains amended disclosure requirements for all forms of interest in other entities. This new standard is expected to result in amended disclosures on investments in group undertakings and investments in associates for the Group for the year ended 31 December 2015 onwards.

- *Amendments to IFRS 10, 11 and 12 on transition guidance*
This amendment is effective for annual periods beginning on or after 1 January 2013, however is endorsed for application by the EU from 1 January 2014. It clarifies the transition guidance contained in IFRS 10, IFRS 11 and IFRS 12 and provides additional transition relief. This amendment will impact the comparative disclosures on investments in group undertakings and investments in associates for the Group provided on adoption of IFRS 12.

- *Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities*
This amendment is effective for application by EU for annual periods beginning on or after 1 January 2014. It introduces an exception to consolidation for investment entities and introduces new required disclosures in respect of these entities. This amendment is not expected to impact the Group.

- *Amendment to IAS 32, 'Financial instruments: Presentation on offsetting financial assets and financial liabilities'*
This amendment is effective for application by EU for annual periods beginning on or after 1 January 2013. It clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This amendment is not expected to impact the Group.

- *Amendment to IAS 36, 'Impairment of assets: Recoverable amount disclosures for non-financial assets'*
This amendment is effective for application by EU for annual periods beginning on or after 1 January 2014. It clarifies the disclosure requirements on the recoverable amount of impaired assets if that amount is based on fair value less costs to sell. The impact of this amendment on the Group is dependent on any future impairment of assets.

- *Amendment to IAS 39 'Financial instruments: Novation of derivatives and continuation of hedge* accounting'
This amendment is effective for application by EU for annual periods beginning on or after 1 January 2014. It provides an exception to the requirement to discontinue hedge accounting in situations where over the counter derivatives designated in hedging relationships are directly or indirectly novated to a central counterparty as a consequence of laws or regulations. The impact of this amendment on the Group is dependent on any future novation of derivatives.

NOTES TO THE FINANCIAL STATEMENTS (continued)

- *IFRIC 21 'Levies'*
This IFRIC is effective for application by EU for annual periods beginning on or after 1 January 2015. It clarifies the timing of recognition of a liability to pay a levy recognised in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. The adoption of this interpretation is expected to affect the timing of the Group's recognition of the Financial Services Compensation Scheme (FSCS) Levy in future periods but the impact will not be significant to the financial statements of the Group.

v) Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below:

- *IFRS 9, 'Financial instruments' and Amendment to IFRS 9 'Mandatory effective date and transition disclosures'*
In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Before adopting IFRS9 it must be endorsed by EU. Based on the transitional provisions, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date the new rules must be adopted in their entirety.
Impact for the group must still be assessed, particularly in relation to loan loss provisioning, impairment and hedging.

IFRS 9 is intended as a replacement for IAS 39 'Financial Instruments' and has been split into three separate phases. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and is likely to require the calculation of impairment on an expected loss basis rather than the current incurred loss basis required by IAS 39. Phase 3 relates to requirements for hedge accounting. The adoption of IFRS 9 is likely to have a significant impact on the Group in future periods, specifically in relation to the impairment charge recognised on financial asset balances. The full impact of this and the other phases of IFRS 9 on the Group is still being assessed.

IFRS 15 – Revenue from contracts with customers
The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.
The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The new IFRS 15 will be mandatory for financial years commencing on or after 1 January 2018. Management will need to assess the impact of the new standard. Expected date of adoption by the group is 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of depreciation and amortization (issued on 12 May 2014 but still have to be endorsed by EU)

Amendments to IFRS 11: Accounting for acquisitions of interests in joint operations (issued on 6 May 2014, but still have to be endorsed by EU)

w) Early adoption of new standards

The Group did not early adopt any new or amended standards in the year ended 31 December 2015.

3. Critical accounting estimates and judgments in applying accounting policies

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The Group's principal accounting policies are set out above. United Kingdom company law and IFRS require the Directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently and make judgments and estimates that are reasonable and prudent. Where accounting standards are not specific and management have to choose a policy, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' requires them to adopt policies that will result in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB Framework for the Preparation and Presentation of Financial Statements. The judgments and assumptions involved in the Group's accounting policies that are considered to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Group would affect its reported results.

a) Loan impairment provisions

The Group's loan impairment provisions are established to recognise incurred impairment losses in its portfolio of customer loans classified as loans and receivables and carried at amortised cost. A loan is impaired when there is objective evidence that events since the loan was granted have affected expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate.

At 31 December 2015, gross loans and receivables totaled £1,454m (2014: £1,384m) and loan impairment provisions amounted to £3.8m (2014: £2.7m). The Group's loan impairment provisions are established on a portfolio basis taking into account the level of arrears, past loss experience and defaults based on portfolio trends. The most significant factors in establishing these provisions are the expected loss rates. These portfolios include receivables and other personal advances. The future credit quality of these portfolios is subject to uncertainties that could cause actual credit losses to differ materially from reported loan impairment provisions. These uncertainties include the economic environment, notably interest rates and their effect on customer spending, unemployment levels, payment behaviour and bankruptcy trends.

b) Effective interest rate

In calculating the effective interest rate of a financial instrument the Group takes into account all amounts that are integral to the yield. In the case of loans and advances to customers judgement is applied in estimating future cash flows. Judgement is also required in estimating the expected average

NOTES TO THE FINANCIAL STATEMENTS (continued)

life of customer debt balances. A change in the estimate of any of the key variables in this calculation could have the potential to significantly impact income recognised in the consolidated income statement.

c) Development costs
The Group has capitalised internally generated intangible assets as required in accordance with IAS 38. Management has assessed expected contribution to be generated from these assets and deemed that no adjustment is required to the carrying value of the assets. Management consider it probable that software development activities in the course of construction will result in a deployable system. The recoverable amount of the assets has been determined based on value in use calculations which require the use of estimates and judgements. Management reviews the assets for impairment on a regular basis and deem that no impairment is required.

d) Impairment of assets
IFRS requires management to undertake an annual test for impairment of assets with indefinite lives, including goodwill and, for assets with finite lives, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the fair value less costs to sell or net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions have been made in respect of highly uncertain matters including management’s expectations of growth and discount rates. Changing the assumptions selected by management could significantly affect the Group’s impairment evaluation and hence results. The Group’s review includes the key assumptions related to sensitivity in the cash flow projections.

e) Fair values estimation for financial instruments
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

The Group carries derivative financial instruments at fair value with changes in fair value reported within the consolidated income statement. An analysis of financial instruments carried at fair value by valuation hierarchy and particulars of valuation techniques utilised is included in note 14 and the accounting policy set out in note 2 (I).

Valuation techniques are used to establish the fair values of financial instruments for which no active market exists. These include the use of recent arm’s length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Short term receivables and payables, deemed to be one year or less, are measured at original invoice amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Segmental reporting

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Board of Directors, who are responsible for allocating resources to the reporting segments and assessing their performance. The operating segment used by the Group meets the definition of a reportable segment under IFRS 8.

The Group has a single operating segment being the financing of insurance premiums and instalment services.

5. Net interest income

	2015 £'000	2014 £'000
Interest income on loans and advances to customers	**112,971**	**108,500**
Interest payable on:		
Securitisation notes (note 23)	20,647	27,655
Amounts owed to related party (note 21)	-	1,672
Senior loan notes (note 23)	15,511	9,061
Derivative financial instruments	2,404	2,406
Mezzanine finance loan	-	9,215
Finance lease liabilities (note 22)	-	5
Interest expense	**38,562**	**50,014**
Net interest income	**74,409**	**58,486**

6. Net fee and commission income

Net fee and commission income consists of:	2015 £'000	2014 £'000
Fee and commission income		
Servicing and administration fees	18,293	15,391
Fee and commission expense		
Advanced finance commission	5,033	5,617

7. Loss on derivative financial instruments

	2015 £'000	2014 £'000
Net loss arising on derivatives not designated as hedging instruments under IAS39	536	10,683

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Administrative expenses

	2015 £'000	2014 £'000
Staff costs:		
Wages and salaries	23,944	17,538
Social security costs	2,973	2,113
Other pension costs	1,099	987
	28,016	**20,638**
Non staff costs:		
Other administration costs	34,552	31,919
Write-off of goodwill	13,158	-
Impairment of loans and advances to customers	5,582	5,258
	53,292	**37,177**
Total administrative expenses	**81,308**	**57,815**

Goodwill

Goodwill on the acquisition in 2012 of the Vendcrown Group, which includes the cash-generating unit Premium Credit Limited, was written off following the acquisition of the Group in 2015 by Cinven.

Impairments of loans and advances to customers:

	2015 £'000	2014 £'000
Increase in impairment allowance, net of recoveries	790	1,183
Amounts written off during the year as uncollectible	4,792	4,075
	5,582	**5,258**

The Group has a single Cash Generating Unit ("CGU") at 31 December 2015, being Premium Credit Limited. In order to determine whether impairments are required the Group estimates the recoverable amount of the CGU. The calculation is based on a discount factor being applied to projected future cashflows to obtain a 'value in use' which is the recoverable amount.

During the year the Group obtained the following services from the Group's auditor, PricewaterhouseCoopers LLP:

Audit services	2015 £'000	2014 £'000
Audit of the Group	272	1,230
Advisory services	43	-
Total auditor remuneration	**315**	**1,230**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Employees

The average monthly number of persons (including executive Directors) employed by the Group split by function during the year was:

	2015 Number	2014 Number
Operations	176	175
General and administration	146	119
Sales and marketing	63	63
	385	**357**

All employees have contracts of employment with Premium Credit Limited, a Group subsidiary.

9. Directors' emoluments

The remuneration of the Directors paid by the Group during the year was as follows:

	2015 £'000	2014 £'000
Aggregate emoluments	1,061	774
Payments in lieu of notice	621	-
Total emoluments	1,682	**774**

The total emoluments of the highest paid Director were £1.5m (2014: £0.7m) which includes £0.6m of payment in lieu of notice (2014: nil).

One Executive Director left the company during the year to 31 December 2015.

10. Income tax expense

a) Income tax expense

	2015 £'000	2014 £'000
Current tax (credit)/ expense current year	(145)	2,560
Current tax credit prior year	-	(2,070)
Total current tax	**(145)**	**490**
Deferred tax expense/(credit) current year	505	(1)
Deferred tax (credit)/ expense prior year	(16)	2
Total deferred tax	**489**	**1**
Total tax expense	**344**	**491**

The standard rate of Corporation Tax in the UK was changed from 21% to 20% on 1 April 2015 and through the enactment of the Finance (No.2) Act 2015 on 18 November 2015, will reduce further to 19% from 1 April 2017 and 18% from 1 April 2020. The recent budget 16 March 2016 proposed a change in the corporation tax rate to 17% which will have effect from 1 April 2020, however this proposed rate was not substantively enacted or enacted at balance sheet date. The company's profits for this accounting period are taxed at a hybrid tax rate of 20.25% (2014: 21.5%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

The tax assessed for the year is lower (2014: higher) than the rate of UK Corporation Tax in the UK of 20.25% (2014: 21.5%). The difference is explained below:

	2015 £'000	2014 £'000
Profit before taxation	3,856	(1,405)
Profit on ordinary activities multiplied by hybrid rate in the UK of 20.25% (2014: 21.5%)	780	(313)
Factors affecting expense for the year:		
Expenses not deductible for tax purposes	4,124	42,506
Tax exempt income	-	(39,630)
Adjustment to prior years – current tax	(488)	(2,068)
Adjustment to prior years – deferred tax	48	-
Effects of group relief from Pomegranate group	(4,101)	-
Other tax adjustments	(19)	(4)
Total tax expense	**344**	**491**

b) Total tax relating to components of other comprehensive income

	2015 £'000	2014 £'000
Current tax	(145)	490
Deferred tax	489	1
Total tax expense	**344**	**491**

Current tax on items presented in equity is a credit of £145,000 for the year (2014: expense of £490,000) and deferred tax for the year is £489,000 (2014: £1,000).

11. Dividends

On Ordinary shares	2015 £'000	2014 £'000
Interim dividend paid: 35.178p per £1 share	11,581	-
Final dividend paid: 279p per £1 share	-	91,841
Dividends paid	11,581	91,841

On 25 February 2015 an interim dividend of 35.178p per share was paid. No final dividend is proposed.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Cash and cash equivalents

	31 Dec 2015 £'000	31 Dec 2014 £'000	1 Jan 2014 £'000
Bank balances	**47,987**	**57,185**	**41,857**

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

	31 Dec 2015 £'000	31 Dec 2014 £'000	1 Jan 2014 £'000
GBP	44,347	52,157	33,241
USD	618	473	2,579
EUR	3,022	4,555	6,037
Total cash and cash equivalents	**47,987**	**57,185**	**41,857**

Cash and cash equivalents include encumbered cash balances held by PCL Funding 1 Limited (see note 26).

The external credit rating of our banking counter parties are:

	31 Dec 2015 £'000	31 Dec 2014 £'000	1 Jan 2014 £'000
AA	45,205	54,861	39,935
BBB-	2,782	2,324	1,922
Total cash and cash equivalents	**47,987**	**57,185**	**41,857**

13. Loans and advances to customers

	31 Dec 2015 £'000	31 Dec 2014 £'000	1 Jan 2014 £'000
Gross loans and advances to customers	1,453,578	1,384,040	1,306,301
Less: allowance for impairment	(3,840)	(3,059)	(3,511)
Net loans and advances to customers	**1,449,738**	**1,380,981**	**1,302,790**
Split as:			
Current	1,449,547	1,380,754	1,302,603
Non-current	191	227	187

At 31 December 2015, £1,084 million (2014: £1,027 million) of the loan and advances to customers had its beneficial interest assigned to a special purpose vehicle, PCL Funding 1 Limited, as collateral for securitisation transactions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The following table shows impairment provisions for loans and advances:

	2015	2014
	£'000	£'000
At 1 January	3,059	3,511
Amounts written back/ (off)	(9)	(1,635)
Increase in allowance, net of recoveries, charged to income statement (see note 8)	790	1,183
At 31 December	**3,840**	**3,059**

14. Derivative financial instruments

Strategy in using derivative financial instruments

The objective in executing derivative financial instruments is to ensure that the risk to reward profile of a transaction is optimised allowing the Group to manage its exposure to interest rate risk. The intention is to only use derivatives to create economically effective hedges. There are specific requirements stipulated under IAS 39 which are necessary for a derivative to qualify for hedge accounting. As a result not all derivatives can be designated as being in an accounting hedge relationship, either because natural accounting offsets are expected or because obtaining hedge accounting would be especially onerous.

For those derivatives held for economic hedging purposes, which cannot be designated as being in an accounting hedge relationship, the gains and losses are recognised in the consolidated income statement.

Interest rate swaps

The Group held two interest rate swaps (2014: two). The group holds these swaps to mitigate the variability in cash flows associated with debt securities in issue and the pipeline of expected loans and advances.

The total fair value of derivatives not in hedge relationships as at 31 December 2015 was a net liability of £1.5m (2014: net liability of £0.9m).

All derivative financial instruments are held for economic hedging purposes; no derivatives are designated as hedging instruments under the terms of IAS39. Accordingly interest rate swaps are treated as held for trading derivatives under IAS39.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The table below details derivatives which are not accounted for as hedges:

Derivatives not in hedge accounting relationships	31 Dec 2015 £'000	31 Dec 2014 £'000	1 Jan 2014 £'000
Interest rate swaps			
Notional	828,710	804,573	781,139
Financial asset at fair value	-	-	9,748
Financial liability at fair value	1,472	936	-

PCL Funding 1 Limited, the Group's securitisation vehicle, is the contractual party to the derivative financial instruments. All derivatives are regarded as current with maturities in October 2016.

15. Investment in group undertakings

Name	Country of incorporation	Nature of business	Percentage of shares held
Mizzen Midco Limited	UK	Holding company	100
Mizzen Bondco Limited	Cayman Islands	Bond issuance	100
Mizzen Mezzco 2 Limited	UK	Mezzanine Financing	100
Mizzen Bidco Limited	UK	Investment company	100
Vendcrown Limited	UK	Holding company	100
Premium Credit Limited	UK	Finance services	100
Direct Debit Management Services Limited	UK	Dormant	100

PCL Funding 1 Limited is treated as a subsidiary of the Group. It is a Special Purpose Vehicle (SPV) established for the securitisation of the Group's consumer and commercial receivables. Although none of the equity of the SPV is owned by the Company, the nature of this entity means that the Group has the rights to all benefits from its activities and as such it is effectively controlled by the Group. PCL Funding 1 Limited is incorporated in England and Wales.

The assets of Mizzen Midco Limited and Mizzen Bondco Limited are subject to fixed charges associated with the debt securities issued by Mizzen Bondco Limited. There were no other charges on assets of Group subsidiaries.

16. Interests in structured entities

The Group holds less than 50% of voting rights in a fully consolidated subsidiary PCL Funding 1 Limited. The Group has the power and exposure to variable returns of this subsidiary through contractual arrangements with PCL Funding 1 Limited. This entity was consolidated as it was specifically set up for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through outstanding guarantees of the entity's obligations.

The Board has determined that the entity is controlled by the Group as a result of the entity being the sole acquirer of debt obligations originated by the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2015 £'000	Liabilities 2015 £'000	Net 2015 £'000
Deferred tax asset as at 1 January 2015	**946**	**(33)**	**913**
Deferred tax charge/(credit) for the year attributable to:			
Deferred tax credit on accelerated capital allowances	71	-	71
Property, plant and equipment	-	33	33
Loans and receivables	(332)	-	(332)
Loyalty loans and AOR	(225)	-	(225)
Other accruals	(37)	-	(37)
Deferred tax asset as at 31 December 2015	**423**	**-**	**423**

	Assets 2014 £'000	Liabilities 2014 £'000	Net 2014 £'000
Deferred tax asset as at 1 January 2014	**932**	**(18)**	**914**
Deferred tax charge/(credit) for the year attributable to:			
Deferred tax credit on accelerated capital allowances	(82)	-	(82)
Property, plant and equipment	-	(15)	(15)
Loans and receivables	108	-	108
Loyalty loans and AOR	(20)	-	(20)
Other accruals	8	-	8
Deferred tax asset as at 31 December 2014	**946**	**(33)**	**913**

	Assets 2013 £'000	Liabilities 2013 £'000	Net 2013 £'000
Deferred tax asset as at 1 January 2014	**435**	**-**	**435**
Deferred tax charge/(credit) for the year attributable to opening IFRS transition adjustments:			
Property, plant and equipment	-	(18)	(18)
Loans and receivables	224	-	224
Loyalty loans and AOR	245	-	245
Other accruals	28	-	28
Deferred tax asset as at 1 January 2014	**932**	**(18)**	**914**

Deferred tax assets/ liabilities arise from accelerated capital allowances and also on the transition to IFRS.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Intangible assets

	Goodwill £'000	Assets under construction £'000	Software £'000	Total £'000
Cost				
At 1 January 2014	**13,158**	-	**1,164**	**14,322**
Additions	-	2,025	-	2,025
At 31 December 2014	**13,158**	**2,025**	**1,164**	**16,347**
Accumulated amortisation				
At 1 January 2014	-	-	**1,164**	**1,164**
Charge for the year	-	12	-	12
At 31 December 2014	-	**12**	**1,164**	**1,176**
Net book value at 1 January 2014	**13,158**	-	-	**13,158**
Net book value at 31 December 2014	**13,158**	**2,013**	-	**15,171**
Cost				
At 1 January 2015	**13,158**	**2,025**	**1,164**	**16,347**
Additions	-	3,544	-	3,544
Transfers	-	(1,739)	1,739	-
Disposal	-	-	(374)	(374)
Impairment	(13,158)	-	-	(13,158)
At 31 December 2015	-	**3,830**	**2,529**	**6,359**
Accumulated amortisation				
At 1 January 2015	-	12	**1,164**	**1,176**
Charge for the year	-	-	226	**226**
Transfers	-	(12)	12	-
Disposal	-	-	(114)	**(114)**
At 31 December 2015	-	-	**1,288**	**1,288**
Net book value at 31 December 2015	-	**3,830**	**1,241**	**5,071**

Goodwill on the acquisition in 2012 of the Vendcrown Group, which includes the cash-generating unit Premium Credit Limited, was written off following the acquisition of the Group in 2015 by Cinven.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Property, plant and equipment

	Leasehold improvements £'000	Leasehold offices £'000	Vehicles and equipment £'000	Total £'000
Cost				
At 31 December 2013 (UK GAAP)	**1,830**	**-**	**6,714**	**8,544**
Change in accounting policy	-	4,100	- -	4,100
At 1 January 2014 (IFRS)	**1,830**	**4,100**	**6,714**	**12,644**
Additions	-	-	2,828	2,828
Disposals	-	-	(128)	(128)
Other	-	-	(2)	(2)
At 31 December 2014	**1,830**	**4,100**	**9,412**	**15,342**
Accumulated depreciation	**1,644**	**-**	**5,848**	**7,492**
Effect of change in accounting policy	-	3,484	-	**3,484**
At 1 January 2014	**1,644**	**3,484**	**5,848**	**10,976**
Charge for the year	93		820	913
Disposals	**-**	**-**	(128)	(128)
Effect of change in accounting policy	**-**	242	-	242
Other	**-**	(1)	(2)	(3)
At 31 December 2014	**1,737**	**3,725**	**6,538**	**12,000**
Net carrying value at 1 January 2014	**186**	**616**	**866**	**1,668**
Net carrying value at 31 December 2014	**93**	**375**	**2,874**	**3,342**
Cost				
At 1 January 2015	**1,830**	**4,100**	**9,412**	**15,342**
Additions	**-**	**-**	1,832	1,832
Other			(2)	(2)
At 31 December 2015	**1,830**	**4,100**	**11,242**	**17,172**
Accumulated depreciation				
At 1 January 2015	**1,737**	**3,725**	**6,538**	**12,000**
Charge for the year	93	241	1,409	1,743
At 31 December 2015	**1,830**	**3,966**	**7,947**	**13,743**
Net carrying value at 31 December 2015	**-**	**134**	**3,295**	**3,429**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Property, plant and equipment balances are non-current. Assets in course of construction relates to the internal development of software assets.

The net book value of leasehold offices includes amounts held under finance leases as follows:

	2015 £'000	2014 £'000	2013 £'000
Cost	4,100	4,100	4,100
Accumulated depreciation	(3,966)	(3,725)	(3,483)
Net book value	**134**	**375**	**617**

20. Accruals and deferred income

	2015 £'000	2014 £'000	2013 £'000
Accrued expenses	17,570	16,295	9,032
Social security and other taxes	889	644	522
Income tax	-	93	2,210
Other creditors	-	544	638
	18,459	**17,576**	**12,402**

21. Amounts owed to related parties

	2015 £'000	2014 £'000	2013 £'000
Current			
Loans from related parties	10,934	9,366	68,606

The Group has a loan from its immediate parent undertaking, Pomegranate Acquisitions Limited, amounting to £9,559,000 (2014: £Nil) which is interest free and repayable 30 October 2022, with the remainder of £1,375,000 (2014: £Nil) attributable to expenses recharged from Pomegranate Acquisitions Limited. In 2014 the Group had a loan from its immediate parent, Mizzen Topco S.C.A. (2014: £9,366,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Finance lease liabilities

Finance lease liabilities are payable as follows:

At 31 December 2015 **£'000**	**Minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	-	-	-
Between one and five years	-	-	-
More than five years	-	-	-
	-	-	-

At 31 December 2014 **£'000**	**Minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	211	3	139
Between one and five years	-	-	-
More than five years	-	-	-
	211	**3**	**139**

At 31 December 2013 **£'000**	**Minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	318	5	218
Between one and five years	211	3	139
More than five years	-	-	-
	529	**8**	**357**

Finance leases relate to the premises of the Group's head office. Under the terms of the lease agreements no contingent rents are payable.

23. Debt securities in issue

	2015 **£'000**	**2014** **£'000**	**2013** **£'000**
Non-current			
Securitisation notes	952,165	914,879	855,734
Senior secured loan notes	181,840	191,044	-
	1,134,005	**1,105,923**	**855,734**

Securitisation notes
Securitisation notes are issued by PCL Funding 1 Limited, an SPV, under a revolving sterling facility maturing on 25th September 2018.

Senior secured loan notes	**Maturity date**	**2015** **£'000**	**2014** **£'000**	**2013** **£'000**
Fixed rate corporate bond - issued 5 May 2014	2021	181,840	191,044	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 year-end.

24. Called up share capital

	2015 Number	2015 £'000
Authorised		
Ordinary shares of £1	Unlimited	Unlimited
Preference shares of £1	11,581	11,581
Allotted and fully paid		
32,921,166 Ordinary shares of £1	32,921	32,921
11,581,089 Preference shares of £1	11,581	11,581
	44,502	**44,502**

The following table shows the aggregate movement in share capital in the year:

	Share capital 2015 £'000	Share capital 2014 £'000	Share capital 1 Jan 2014 £'000
At 1 January	32,921	32,921	32,921
Issued in the year	11,581	-	-
At 31 December	**44,502**	**32,921**	**32,921**

Approved by the shareholders' resolution, dated 25 February 2015, there was an allotment of 11,581,089 Preference shares at par in the capital of Mizzen Mezzco Limited to the sole member, Mizzen Topco S.C.A. Subsequently Mizzen Topco S.C.A. was liquidated as at 31 December 2015 and the shares were transferred to Pomegranate Acquisitions Limited.

25. Other reserves

	31 Dec 2015 £'000	31 Dec 2014 £'000	1 Jan 2014 £'000
Foreign currency translation reserve	**(682)**	**(182)**	**(16)**

Other reserves comprise losses on the translation of financial statements of foreign operations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Through its normal operations, the Group is exposed to a number of risks, the most significant of which are credit risk, liquidity risk, and market risk. Current year profit and loss information has been included where relevant to add further context.

Risk	Exposure arising on	Measurement	Management
Credit risk	Loans and advances to customers, Cash and cash equivalents	Aged analysis Credit ratings	Credit checks Credit limits Loan loss reviews
Market risk – interest rate	Long-term borrowing at variable rates	Sensitivity analysis	Interest rate swaps
Liquidity risk	Debt securities in issue	Rolling cashflow forecasts	Availability of revolving sterling facilities
Market risk – FX rate	Financial assets and liabilities not denominated in pounds sterling	Cashflow forecast Sensitivity analysis	Concentration limits on loans and advances in Euro and US Dollars

a) Credit risk

Credit risk arises from loan facilities in the UK and to a lesser extent in the Republic of Ireland. These facilities enable individuals to spread the cost of installment services, primarily insurance premiums. Loan exposure is to individuals, corporates and corporate intermediaries. The majority of lending activity is arranged by corporates and corporate intermediaries in the insurance sector but the Group is also active in financing other installment services such as school and leisure fees.

Credit risk is the risk that a borrower fails to pay the interest or to repay the capital on a loan. All lending is underwritten by the Group and the performance of all loans is monitored closely and regular management reports are submitted to the Board, Executive Committee and the appropriate sub-Committees.

Management and monitoring of credit risk

Credit risk is monitored by the Credit & Counterparty Committee, a sub-Committee of the Executive Committee. Credit checks are conducted at inception and on renewal of loan facilities. Individual risk limits are set based on borrower affordability and in accordance with limits and parameters set by the Board.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Credit quality

Loans and advances to customers represent 95.7% (31 Dec 2014: 94.3%, 1 Jan 2014: 94.4%) of Total Assets at 31 December 2015.

The following table shows the ageing of loans and advances to customers which are neither past due nor impaired:

	31 December 2015 £'000	31 December 2014 £'000
Within one month	262,064	261,954
Between one to three months	481,176	441,551
Between three months and one year	697,499	669,024
Over one year	191	227
	1,440,930	**1,372,756**

As at 31 December 2015 £8,808,000 of loans and advances were past due (31 December 2014: £8,225,000). The data for 1 January 2014 is not available.

b) Market risk – interest rate

Exposure to interest rate risk arises from the Group funding its activities via a securitisation facility on which the rate of interest paid is variable. Interest rate swaps are executed to mitigate interest rate exposures where interest payments are variable and hence vulnerable to interest rate movements.

The Group's exposure interest rates risk is managed by the Asset and Liability Committee and governed by the Group's treasury policies. The Group seeks to limit the net exposure to changes in interest rates. Exposure has been mitigated by issuing fixed rate debt and by the use of derivative financial instruments such as interest rate swaps. Further information on these financial instruments may be found in note 14.

A 1% adverse movement in the interest rate on borrowing would have reduced Group's profit before taxation by £6.0 million (2014: £6.0 million).

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through adequate amounts of committed credit facilities to enable the Group to meet obligations when due. At the end of the reporting period the Group held deposits at call of £47.987m (2014: £57.185m). Due to the nature of the business, the cash position is monitored daily by Group Treasury which maintains flexibility in funding through availability of committed credit lines.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

At 31 December 2015	**Encumbered**	**Unencumbered**	**Total**
Encumbered asset summary	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	16,805	31,182	47,987

At 31 December 2014	**Encumbered**	**Unencumbered**	**Total**
Encumbered asset summary	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	29,481	27,704	57,185

At 1 January 2014	**Encumbered**	**Unencumbered**	**Total**
Encumbered asset summary	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	33,135	8,722	41,857

An asset is defined as encumbered if it has been pledged as collateral against an existing on or off balance sheet liability, and as a result is no longer available to the Group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement. An asset is therefore categorised as unencumbered if it has not been pledged against an existing liability.

Encumbered assets represents cash held by PCL Funding 1 Limited, the SPV.

Management monitors rolling forecasts of the Group's cash position and liquidity buffer on the basis of expected cashflows. This is carried out at entity level in the principal operating companies of the Group. The level of liquid assets necessary is monitored with balance sheet liquidity ratios and debt financing plans to ensure debt covenants are not breached. The composition of the Group's funding base is monitored against defined thresholds to further avoid funding source and maturity concentration risks. The Group prepares both short term and long term forecasts to assess liquidity requirements covering a rolling twelve month period and takes into account factors such as payment cycles and cyclical trade patterns. These reports support daily liquidity management and are reviewed monthly by the Asset and Liability sub-Committee ('ALCO') of the Executive Committee.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	31 Dec 2015 £'000	**31 Dec 2014 £'000**	**1 Jan 2014 £'000**
Variable rate			
Expiring within one year (bank overdraft)	15,000	-	-
Expiring after more than one year (securitisation)	94,800	228,900	285,600

NOTES TO THE FINANCIAL STATEMENTS (continued)

The bank overdraft facilities may be drawndown on demand and may be terminated by the bank without notice. The securitisation facility may be drawndown on demand and is subject to the continuance of satisfactory credit ratings of the securitisation vehicle.

To enhance overall funding stability and diversity, the Group places emphasis on maximising and preserving its securitisation funding sources. The Group monitors funding costs and levels and significant trends and changes are reported to its management team via the Asset and Liability Committee.

Maturity profile

A maturity analysis of the undiscounted contractual cash flows of the Group's bank and other borrowings, including derivatives is shown below. These differ from the statement of financial position values due to the effects of discounting on certain statement of financial position items and due to the inclusion of contractual future interest flows.

At 31 December 2015 £'000	**Repayable on demand**	**<1year**	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
Financial liabilities						
Related party loan	10,934	-	-	-	-	**10,934**
Debt securities in issue				952,165	181,840	**1,134,005**
Derivative financial instruments	-	3,861	-	-	-	**3,861**
Total financial liabilities	**10,934**	**3,861**	**-**	**952,165**	**181,840**	**1,148,800**
Financial assets						
Loans and advances to customers	-	1,449,547	191	-	-	**1,449,738**
Cash and cash equivalents	31,182	16,805	-	-	-	**47,987**
Total financial assets	**31,182**	**1,466,352**	**191**	-	-	**1,497,725**
Maturity gap	**20,248**	**1,462,491**	**191**	**(952,165)**	**(181,840)**	**348,925**

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014 £'000	Repayable on demand	<1year	1-2 years	2-5 years	Over 5 years	Total
Financial liabilities						
Related party loan	9,366	-	-	-	-	**9,366**
Debt securities in issue	-	-	-	914,879	191,044	**1,105,923**
Derivative financial instruments	-	2,391	3,861	-	-	**6,252**
Finance leases	-	211	-	-	-	**211**
Total financial liabilities	**9,366**	**2,602**	**3,861**	**914,879**	**191,044**	**1,121,752**
Financial assets						
Loans and advances to customers	-	1,380,754	227	-	-	**1,380,981**
Cash and cash equivalents	27,704	29,481	-	-	-	**57,185**
Total financial assets	**27,704**	**1,410,235**	**227**	-	-	**1,438,166**
Maturity gap	**18,338**	**1,407,633**	**(3,634)**	**(914,879)**	**(191,044)**	**1,316,414**

At 31 December 2013 £'000	Repayable on demand	<1year	1-2 years	2-5 years	Over 5 years	Total
Financial liabilities						
Related party loan	68,606	-	-	-	-	**68,606**
Debt securities in issue	-	-	-	855,734	-	**855,734**
Mezzanine loan	-	-	40,800	-	-	**40,800**
Finance leases	-	318	211	-	-	**529**
Total financial liabilities	**68,606**	**318**	**41,011**	**855,734**	-	**965,669**
Financial assets						
Loans and advances to customers	-	1,302,603	187	-	-	**1,302,790**
Cash and cash equivalents	33,135	8,722	-	-	-	**41,857**
Total financial assets	**33,135**	**1,311,325**	**187**	-	-	**1,344,647**
Maturity gap	**(35,471)**	**1,311,007**	**(40,824)**	**(855,734)**	-	**378,978**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Market risk – FX rate

The Group's exposure to foreign exchange rate risk arises from Premium Credit Limited's operations in the Republic of Ireland and trade receivables and payables in foreign currencies.

The Group's exposure to movements in foreign exchange rates is monitored monthly by the Asset Liability Committee and is governed by board approved foreign exchange rate risk management policy which forms part of the Group's treasury policies. Exposures are managed by concentration limits on trade receivables and payables denominated in foreign currencies.

As at 31 December 2015, a 2% movement in the US dollar/ GBP and EUR/ GBP exchange rates would not have had a material impact on profits.

27. Financial instruments

The following tables analyse the financial assets and financial liabilities in accordance with the categories of financial instruments in IAS39.

a) Classification of financial instruments by IAS39 category

At 31 December 2015 £'000	**Designated at fair value through profit and loss**	**Loans and receivables**	**Other financial instruments at amortised cost**	**Total**
Assets				
Cash and cash equivalents	-	47,987	-	**47,987**
Loans and advances to customers	-	1,449,738	-	**1,449,738**
Total financial assets	-	**1,497,725**	-	1,497,725
Liabilities				
Debt securities in issues	-	-	1,134,005	**1,134,005**
Related party loan	-	-	10,934	**10,934**
Derivative financial instruments	1,472	-	-	**1,472**
Total financial liabilities	**1,472**	-	**1,144,939**	**1,146,411**

All derivative financial instruments are held for economic hedging purposes. No derivatives are designated as hedging instruments under the terms of IAS39.

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014 £'000	Designated at fair value through profit and loss	Loans and receivables	Other financial instruments at amortised cost	Total
Assets:				
Cash and cash equivalents	-	57,185	-	**57,185**
Loans and advances to customers	-	1,380,981	-	**1,380,981**
Total financial assets	-	**1,438,166**	-	**1,438,166**
Liabilities:				
Debt securities in issues	-	-	1,105,923	**1,105,923**
Related party loan	-	-	9,366	**9,366**
Finance leases	-	-	211	**211**
Derivative financial instruments	936	-	-	**936**
Total financial liabilities	**936**	-	**1,115,500**	**1,116,436**

At 1 January 2014 £'000	Designated at fair value through profit and loss	Loans and receivables	Other financial instruments at amortised cost	Total
Assets:				
Cash and cash equivalents	-	41,857	-	**41,857**
Loans and advances to customers	-	1,302,790	-	**1,302,790**
Derivative financial instruments	9,748	-	-	**9,748**
Total financial assets	**9,748**	**1,344,647**	-	**1,354,395**
Liabilities:				
Debt securities in issues	-	-	855,734	**855,734**
Related party loan	-	-	68,606	**68,606**
Mezzanine loan	-	-	40,800	**40,800**
Finance leases	-	-	529	**529**
Total financial liabilities	-	-	**965,669**	**965,669**

NOTES TO THE FINANCIAL STATEMENTS (continued)

b) Fair values

Except as detailed in the following table, the Directors consider that the carrying value amounts of financial assets and financial liabilities recorded on the Statement of Financial Position are approximately equal to their fair values.

At 31 December 2015	**Level 1 £’000**	**Level 2 £’000**	**Level 3 £’000**	**Total £’000**
£’000				
Assets:				
Loans and advances to customers	-	1,449,738	-	1,449,738
Total	-	**1,449,738**	-	**1,449,738**
Liabilities:				
Debt securities in issue	-	1,134,005	-	1,134,005
Related party loan	-	10,934	-	10,934
Derivative financial instruments	-	1,472	-	1,472
Total	-	**1,146,411**	-	**1,146,411**

At 31 December 2014	**Level 1 £’000**	**Level 2 £’000**	**Level 3 £’000**	**Total £’000**
£’000				
Assets:				
Loans and advances to customers	-	1,380,981	-	1,380,981
Total	-	**1,380,981**	-	**1,380,981**
Liabilities:				
Debt securities in issue	-	1,105,923	-	1,105,923
Related party loan	-	9,366	-	9,366
Finance leases	-	211	-	211
Derivative financial instruments	-	936	-	936
Total	-	**1,116,436**	-	**1,116,436**

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 1 January 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
£'000				
Assets:				
Loans and advances to customers	-	1,302,790	-	1,302,790
Derivative financial instruments	-	9,748		9,748
Total	-	**1,312,538**	-	**1,312,538**
Liabilities:				
Debt securities in issue	-	855,734	-	855,734
Related party loan	-	68,606	-	68,606
Mezzanine loan	-	40,800	-	40,800
Finance leases	-	529	-	529
Total	-	**965,669**	-	**965,669**

The only financial assets and liabilities which are carried at fair value in the Balance Sheet are derivative financial assets and liabilities. The valuation techniques and inputs used to derive fair values at the year-end are described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where an active market is considered to exist, fair values are based on quoted prices. For instruments which do not have active markets, fair value is calculated using present value models, which take individual cash flows together with assumptions based on market conditions and credit spreads, and are consistent with accepted economic methodologies for pricing financial instruments.

In each case the fair value is calculated by discounting future cash flows using benchmark observable market interest rates based on LIBOR rather than Overnight Index Swaps (OIS) as using OIS would have no significant impact. This is kept under review.

There are three levels to the hierarchy as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivative financial instruments which are categorised as Level 2 are those which have future cash flows which are on known dates and for which the cash flow amounts are known or calculable by reference to observable interest and foreign currency exchange rates. The fair value is calculated by discounting future cash flows using benchmark, observable market interest rates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Capital resources

It is the Group's policy to maintain a strong capital base, to expand it as appropriate and to utilise it efficiently throughout its activities to optimise the return to shareholders while maintaining a prudent relationship between the capital base and the underlying risks of the business.

The Group's objectives in managing capital are:

• To ensure that the Group has sufficient capital to meet its operational requirements and long-term strategic objectives;

• To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for its stakeholders; and

• To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital based on the Board's view of perceived credit risk, the availability and cost of external financing. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets, having particular regard to the relative costs and availability of debt and equity finance at any given time. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, issue or redeem other capital instruments, such as corporate bonds, or allow loans and receivables to mature without subsequent advancement. The Group is not subject to any externally imposed capital requirements.

£'000	**2015**	**2014**
Profit/ (loss) after tax for the year	**3,512**	**(1,896)**
Divided by:		
Opening equity	(57,433)	36,471
Closing equity	(54,421)	(57,433)
Average equity	**(55,927)**	**(10,481)**

Return on equity is defined by the Group as profit after tax divided by the average of the opening and closing equity positions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The debt and equity amounts for the Group at 31 December 2015 and 31 December 2014 were as follows:

£'000	**Note**	**2015**	**2014**
Debt			
Securitisation notes	23	952,165	914,879
Senior loan notes	23	181,840	191,044
Loans from related parties	21	10,934	9,366
Less: unencumbered cash	26	(31,182)	(27,344)
Net debt		**1,113,757**	**1,087,945**
Equity			
Total equity		44,502	32,921
Total debt plus equity		**1,158,259**	**1,120,866**

29. Cash inflow from operating activities

	2015	**2014**
	£'000	**£'000**
Profit/ (loss) before tax	**3,856**	**(1,405)**
Non cash items included in operating profit before taxation		
Loan impairment charges	5,582	5,528
Depreciation and amortisation	1,969	1,167
Loss on disposal of fixed assets	260	-
Goodwill written off	13,158	-
Finance costs - net	38,562	50,014
Fair value movements - swap	536	10,683
Non cash items included in operating profit before taxation	**60,067**	**67,122**
Changes in operating assets and liabilities		
Net movement in loans and advances to customers	(74,339)	(81,076)
Net movement in trade creditors	16,215	22,990
Net movement in prepayments, accrued income and other assets	(1,028)	57
Net movement in accruals and deferred income	909	5,118
Changes in operating assets and liabilities	**(58,243)**	**(52,911)**
Cashflows from operating activities	**5,680**	**12,806**

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Related party transactions

During the year the Group had the following transactions with related parties:

a) Transactions involving Directors and other key connected persons

For the purposes of IAS 24 “Related Party Disclosures”, key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of an entity; the key management of the Group are the members of the Group’s Board and Operations Committee. There were no loans or advances to key connected persons in the Group’s primary financial statements (31 December 2014: £nil, 1 January 2014: £nil).

b) Remuneration of key management personnel

The amount of remuneration incurred by the Group in relation to key management is set out below in aggregate. The remuneration of the directors’ is set out in note 9. With the exception of the Chief Executive, the directors’ and key management are not the same body of persons. Further information in respect of key management personnel is included in the Governance report.

	2015	**2014**
	£’000	**£’000**
Short-term employee benefits	6,167	2,582
Termination benefits	621	-
Total emoluments	**6,788**	**2,582**

Short term employee benefits comprise salary, bonus, pension contributions and benefits, earned in the year.

c) Trading transactions

During the year, the Group entered into the following transactions with related parties:

	Interest paid		**Service fees**	
	2015	**2014**	**2015**	**2014**
	£’000	**£’000**	**£’000**	**£’000**
Pomegranate Acquisitions Limited	11	-	-	-
Cinven	-	-	303	-
GTCR LLC	-	-	80	600
Mizzen Topco S.C.A.	-	1,672	-	-

In addition to the above, GTCR LLC was re-imbursed travel expenses of £261,804 (2014: £205,164). Cinven was re-imbursed travel expenses of £25,195 (2014: £nil).

Balances owing to/ from related parties are identified in note 21.

NOTES TO THE FINANCIAL STATEMENTS (continued)

d) Ultimate parent undertaking and controlling party

At 31 December 2015, the Group's ultimate parent undertaking was Pomegranate Topco Limited which is incorporated in Jersey and the Board considers the ultimate controlling party to be Cinven Partners LLP.

e) Immediate parent undertaking

The Company's immediate parent company is Pomegranate Acquisitions Limited which is incorporated in England and Wales. Financial statements for Pomegranate Acquisitions Limited can be obtained from its registered office at Premium Credit House, 60 East Street, Epsom, Surrey, KT17 1HB.

31. Contingent liabilities and commitments

a) Capital commitments

At 31 December 2015 the Group had capital commitments related to intangible assets of £nil (31 December 2014: £1.7m, 1 January 2014: £1.0m). This is in respect of IT software development and IT hardware.

b) Operating lease commitments

The Group has outstanding commitments for future minimum lease payments under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights, and fall due as follows:

	2015	**2014**	**2013**
	£'000	**£'000**	**£'000**
	Vehicles	Vehicles	Vehicles
No later than one year	225	81	170
Later than one year and no later than five years	129	189	48
	354	**270**	**218**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Under the terms of the lease agreements, no contingent rents are receivable. The leases have varying terms including purchase options and renewal rights. None of these terms represent unusual arrangements or create material onerous or beneficial rights or obligations.

32. Post balance sheet events

There are no post balance sheet events to be disclosed.

33. Explanation of transition to IFRS

As stated in note 2 these are the Group's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and the preparation of an opening IFRS balance sheet at 1 January 2014 (the Group's date of transition to IFRS).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts prepared in accordance with its old basis of accounting (UK GAAP) but which were not previously published at 31 December 2013. An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance, and cash flows is set out in the following tables and the notes that accompany the tables.

The balance sheet presented under UK GAAP is the consolidated balance sheet of the Mizzen Mezzco Group Limited, the highest UK entity in the Group preparing consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Reconciliation of equity – changes to presentation

1 January 2014

£'000 **UK GAAP**						***£'000*** **Presentation under IFRS format**	
Published balance sheet of Mizzen Mezzco Ltd			**Reclassification**	**Reclassification**			**Assets**
Fixed Assets							**Non-current assets**
Intangible assets	10,088	z			z	10,088	Intangible assets
Tangible assets	1,052	aa			aa	1,052	Property, plant and equipment
	11,140			187	ab	187	Loans and advances to customers
Current assets				435	ab	435	Deferred tax assets
Debtors	1,314,540	ab	(1,314,540)			**11,762**	**Total non-current assets**
Cash at bank and in hand	41,857	ac	(41,857)				
	1,356,397						**Current Assets**
				1,303,924	ab	1,303,924	Loans and advances to customers
Creditors: amounts falling due within one year	(901,196)	ad	455,734	9,994	ab	9,994	Prepayments, accrued income and other assets
						-	Derivative financial instruments
				41,857	ac	41,857	Cash and cash equivalents
Net current assets	**455,201**					**1,355,775**	**Current assets**
Total assets less current liabilities	**466,341**					**1,367,537**	**Total Assets**
Creditors: amounts falling due within one year	(440,800)	ae					**Liabilities**
							Current liabilities
NET ASSETS	**25,541**				ad	(376,860)	Trade and other payables
					ad	(68,602)	Financial liabilities
Capital and reserves							
Called up share capital	32,921	af				**(445,462)**	**Total Current Liabilities**
Profit and loss account	(7,380)	ag	7,380				
Total Shareholders' funds	**25,541**						**Non-current liabilities**
					ae	(40,800)	Financial liabilities
				(455,734)	ad,ae	(855,734)	Debt securities in issue
						(896,534)	**Total Non-current liabilities**
						1,341,996	**Total Liabilities**
						25,541	**NET ASSETS**
							Equity
					af	(32,921)	Called up share capital
				7,364	ag	7,364	Retained earnings
				16	ag	16	Other reserves
			(893,283)	**893,283**		**(25,541)**	**Total shareholders' equity**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Explanation of changes

z) Balances classified as intangibles under UK GAAP remain as Intangibles assets under IFRS. Tangible assets under UK GAAP reclassified as Property, plant and equipment under IFRS.

aa) Balances classified as Tangible assets under UK GAAP are reclassified as Property, plant and equipment under IFRS.

Reconciliation of equity – changes to presentation

ab) 'Debtors' under UK GAAP reclassified into 'Loans and advances to customers due after more than one year', 'Loans and advances to customers due within one year', 'Prepayments, accrued income and other assets', 'Deferred tax', and 'Trade and other payables'. IFRS does not permit netting and non-off settable balances have been grossed up.

ac) 'Cash at bank' under UK GAAP reclassified as 'Cash and cash equivalents' under IFRS.

ad) 'Creditors: amounts falling due within one year' under UK GAAP reclassified as 'Trade and other payables', 'Financial liabilities' and 'Debt securities in issue' under IFRS. Balances reported in current liabilities under UK GAAP relating to the SPV have been reclassified under IFRS to non-current liabilities on the basis the Group has the discretion to roll the facility at the balance sheet date.

ae) 'Creditors: amounts falling due after more than one year' under UK GAAP reclassified as 'Financial liabilities' and 'Debt securities in issue' under IFRS.

af) 'Called up share capital' is consistently named under UK GAAP and IFRS.

ag) The currency translation reserve arising has been separated from 'Retained earnings' under UK GAAP and separately classified as 'Other reserves' under IFRS.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Reconciliation of equity – changes to measurement
01 January 2014

£'000 UK GAAP in IFRS format		Changes to measurement	Ref	*£'000* Restated balance sheet in IFRS format	
Assets					**Assets**
Non-current assets					**Non-current assets**
Intangible assets	10,088	3,070	ah	13,158	Intangible assets
Property, plant and equipment	1,052	616	ai	1,668	Property, plant and equipment
Loans and advances to customers	187	-		187	Loans and advances to customers
Deferred tax assets	435	497	aii	932	Deferred tax assets
Total non-current assets	**11,762**			**15,945**	**Total non-current assets**
Current Assets					**Current Assets**
Loans and advances to customers	1,303,924	(1,321)	aj	1,302,603	Loans and advances to customers
Prepayments, accrued income and other assets	9,994	(993)		9,001	Prepayments, accrued income and other assets
		9,748	ak	9,748	Derivative financial instruments
Cash and cash equivalents	41,857			41,857	Cash and cash equivalents
Current assets	**1,355,775**			**1,363,209**	**Current assets**
Total Assets	**1,367,537**			**1,379,154**	**Total Assets**
Liabilities					**Liabilities**
Current liabilities					**Current liabilities**
Trade and other payables	(376,860)			(376,860)	Trade and other payables
Financial liabilities	(68,602)	(669)	ai,al	(69,271)	Financial liabilities
Total Current Liabilities	**(445,462)**			**(446,131)**	**Total Current Liabilities**
Non-current liabilities					**Non-current liabilities**
Financial liabilities	(40,800)			(40,800)	Financial liabilities
Deferred tax liability	-	(18)		(18)	Deferred tax liability
Debt securities in issue	(855,734)			(855,734)	Debt securities in issue
Total Non-current liabilities	**(896,534)**			**(896,552)**	**Total Non-current liabilities**
Total Liabilities	**(1,341,996)**			**1,342,683**	**Total Liabilities**
NET ASSETS	**25,541**			**36,471**	**NET ASSETS**
Equity					**Equity**
Called up share capital	(32,921)	-		(32,921)	Called up share capital
Retained earnings	7,364	(10,930)	an	(3,566)	Retained earnings
Other reserves	16		ao	16	Other reserves
Total shareholders' equity	**(25,541)**	-		**(36,471)**	**Total shareholders' equity**

Reconciliation of Equity

	Ref	£'000
Shareholders' equity under UK GAAP		**7,364**
Differences in GAAP increasing (decreasing) retained earnings:		
IAS 17 – Lease accounting		(3,571)
IAS 16 – Property, plant and equipment		3,484
IAS39 - Financial instrument: recognition and measurement	ad	(9,748)
IFRS 3 – Business combinations	z	(3,070)
IAS 19 – Employee benefits		140
IAS 12 – Income Taxes		(479)
IAS39 - Financial instrument: recognition and measurement		2,314
Change in retained reserves		**(10,930)**
IAS39 - Financial instrument: recognition and measurement	ad	**16**
Retained reserves under IFRS		**(3,550)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Reconciliation of equity – changes to measurement

Explanation of changes

ah) Under UK GAAP, goodwill is amortised over its useful life. IFRS3 'Business combinations' requires that goodwill is not amortised but tested for impairment annually. Under IFRS1 'First time adoption of IFRS' the Group has elected to restate the goodwill arising on the acquisition of the Vendcrown group by Mizzen Bidco Limited and reverse £3,070,000 of amortisation charged to the income statement prior to the transition date together with acquisition costs.

ai) Under UK GAAP, leases of land and buildings were treated as operating leases. IAS17 'Leases' requires that a lease be classified as a finance lease where the lease transfers all the risks and rewards incidental to ownership of an asset. Management has determined that the lease on head office premises meets the criteria for recognition as a finance lease.

The effect is to increase Property, Plant and Equipment by a net £616,000. This represents fair value of the land and buildings at the inception of the lease of £4,100,000 less the accumulated depreciation of £3,484,000 which has been charged against Retained earnings. Financial Liabilities increase by £528,993 at 1 January 2014 due to recognition of interest on the finance lease.

aii) Under IFRS IAS 12 'Income taxes'– the deferred tax will be recognized on IFRS adjustments. The impact as at the opening Balance sheet is an increase in Deferred tax assets by £497,298 and an increase of Deferred tax liability by £17,718 with an impact of £479,296 increase in Retained earnings.

aj) Under UK GAAP, the Group applied the sum of digit methodology to calculate the amount of income recognized on the financial assets. IAS 39 'Financial instrument: recognition and measurement' requires that the effective interest rate methodology be utilised.

The effect is to reduce Loans and Receivables by £2,314,271.

ak) Under UK GAAP, derivative financial instruments were treated as being off-balance sheet. IAS 39 'Financial instrument: recognition and measurement' requires that derivative financial instruments are measured at fair value on the balance sheet and the credit risk of the respective counterparties is a component of the valuation.

The effect is to increase Current assets, Derivative Financial Instruments by £9,747,917 at 31 December 2014 with an increase in retained earnings of £9,747,917.

al) Under previous UK GAAP, the Group did not account for the liability to employees arising from accrued holiday pay. IAS 19 'Employee benefits' requires the accrual of holiday pay where material.

The effect is to increase Trade and Other Payables by £139,000 with a consequent reduction in Retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Reconciliation of total comprehensive income

Reconciliation of total comprehensive income (continued)

The table below sets out total comprehensive income reported under UK GAAP for the 12 month to 31 December 2014 for the Mizzen Mezzco Group and the representation of the income statement in IFRS format.

12 months to 31 December 2014 from previous table	**UK GAAP result adjusted for shortened accounting period**		**Reclassification**		**Reclassification**	**UK GAAP balances in IFRS format**	
Group turnover	118,376	q	(118,376)	q,s	108,602	108,602	Interest income
Administration expenses	(61,318)	r	61,318	t	(50,009)	(50,009)	Interest expense
						58,593	**Net interest income**
Group operating profit	**57,058**						
				q	15,391	15,391	Fee and commission income
Interest receivable and similar income	-	**s**		q,r	(5,617)	(5,617)	Fee and commission expense
						9,774	**Net fee and commission income**
Interest payable and similar charges	(50,009)	**t**	50,009		-	-	Gains on financial instruments and movements on derivatives
						68,367	**Total Income**
Profit on ordinary activities before taxation	**7,049**						
				r	(52,848)	(52,843)	Administration expenses
Tax on profit on ordinary activities	(572)		572	r	(3,557)	(3,557)	Depreciation and amortisation
				r	(4,918)	(4,918)	Impairment losses on loans and advances
						7,049	**Profit before tax**
						(572)	Income tax expense
Profit for the period	**6,477**		**20,674**		**6,416**	**6,477**	**Profit for the year attributable to the parent**

Explanation of changes

q) Group turnover under UK GAAP has been analysed into its respective components comprising interest income from the advancement of loans and fee and commission income derived from the servicing of loans and fee and commission expense.

r) Administration expenses under UK GAAP has been further analysed into material headings including Depreciation and amortization, Impairment losses on loans and advances.

s) Interest receivable and similar income has been reclassified as interest income under IFRS.
t) Interest payable and similar charges under UK GAAP has been reclassified as interest expense.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The table below sets out total comprehensive income reported under IFRS for the 12 month to 31 December 2014 for the Mizzen Mezzco Group and the changes to measurement arising on transition to IFRS.

12 months to 31 December 2014 from previous table	**UK GAAP result in IFRS format**	**Measurement changes on transition**	**UK GAAP balances in IFRS format**	
Interest income	108,602	(98) u	108,500	Interest income
Interest expense	(50,009)	(5) v	(50,014)	Interest expense
Net interest income	**58,593**		**58,486**	**Net interest income**
Fee and commission income	15,391		15,391	Fee and commission income
Fee and commission expense	(5,617)		(5,617)	Fee and commission expense
Net fee and commission income	**9,774**		**9,774**	**Net fee and commission income**
Gains/(Losses) on financial instruments and movements on derivatives	-	(10,683) w	**(10,683)**	Gains on financial instruments and movements on derivatives
Total Income	**68,367**		**57,577**	**Total Income**
Administration expenses	(52,843)	286 x	(52,557)	Administration expenses
Depreciation and amortization	(3,557)	2,390 y	(1,167)	Depreciation and amortisation
Impairment losses on loans and advances	(4,918)	(340) z	(5,258)	Impairment losses on loans and advances
(Loss)/Profit before tax	**7,049**		**(1,405)**	**(Loss)/Profit before tax**
Income tax expense	**(572)**	81 zz	**(491)**	Income tax expense
(Loss)/Profit for the year attributable to the parent	**6,477**	**(8,369)**	**(1,896)**	**(Loss)/Profit for the year attributable to the parent**

Explanation of changes

u) Interest income has been adjusted by £97,597 decrease in interest income in accordance with IAS 39 'Financial instrument: Recognition and Measurement' to adopt the effective interest rate methodology. Previously the sum of digits approach was utilised to defer unearned interest income.

v) Interest expense has been increased by £5,448 in accordance with IAS 17 'Leases' as a consequence of the lease of the head office being classified as a finance lease under IFRS. It had been treated as an operating lease under UK GAAP.

w) Interest rate swaps were not previously recognised under UK GAAP. Interest rate swaps have been fair valued in accordance with IAS 39 'Financial instrument: Recognition and Measurement' resulting in a decrease in profit before tax of 10,683,435.

NOTES TO THE FINANCIAL STATEMENTS (continued)

x) Administration expenses have decreased by a net £286,205 due to the reversal of operating lease payments under IAS 17 ‘Leases’ and the additional accrual of holiday pay of £37,296 under IAS19 ‘Employee benefits’.

y) Depreciation and amortisation has reduced by a net £2,390,595. £2,631,772 of amortisation of goodwill has been reversed under IFRS3 ‘Business Combinations’. The goodwill arose on the acquisition of Premium Credit Limited by Mizzen Bidco Limited in October 2012. Depreciation of £241,176 on the Group’s head office has been charged following its recognition as a finance lease under IAS17 ‘Leases’.

z) Additional loan loss provision of £340,024 was accrued in line with the IAS 39 ‘Financial instruments: Recognition and Measurement’ methodology of evaluating loan losses on the financial assets recognized by the Group.

zz) The Deferred tax income of appeared in relation to the calculation of £80,603 additional deferred taxes on IFRS adjustments as per IAS 12 – ‘Income taxes’.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Reconciliation of equity – changes to presentation

31 December 2014

£'000						***£'000***	
UK GAAP						**Presentation under IFRS format**	
Published balance sheet of Mizzen Mezzco Ltd			**Reclassification**	**Reclassification**			**Assets**
Fixed Assets							**Non-current assets**
Intangible assets	9,469	z	(9,469)	9,469	z	9,469	Intangible assets
Tangible assets	2,967	aa	(2,967)	2,967	aa	2,967	Property, plant and equipment
	12,436			191	ab	191	Loans and advances to customers
Current assets				435	ab	353	Deferred tax assets
Debtors	1,390,617	ab	(1,390,617)			**12,980**	**Total non-current assets**
Cash at bank and in hand	57,185	ac	(57,185)				
	1,447,802						**Current Assets**
				1,382,388	ab	1,382,388	Loans and advances to customers
Creditors: amounts falling due within one year	(929,183)	ad	514,879	7,685	ab	7,685	Prepayments, accrued income and other assets
						-	Derivative financial instruments
				57,185	ac	57,185	Cash and cash equivalents
Net current assets	**518,619**					**1,447,258**	**Current assets**
Total assets less current liabilities	531,055					**1,460,238**	**Total Assets**
Creditors: amounts falling due after more than one year	(591,044)	ae	(591,044)				**Liabilities**
							Current liabilities
					ad	(17,399)	Accrual, deferred income
NET ASSETS	**(59,989)**				ad	(387,583)	Trade and other payables
					ad	(9,322)	Financial liabilities
					ad		Debt securities in issue
						(414,304)	**Total Current Liabilities**
							Non-current liabilities
					ae		Financial liabilities
Capital and reserves				1,105,923	ae	(1,105,923)	Debt securities in issue
Called up share capital	32,921	af	32,921			**(1,105,923)**	**Total Non-current liabilities**
Profit and loss account	(92,910)	ag	7,380			**1,520,227**	**Total Liabilities**
Total Shareholders' funds	**(59,989)**					**(59,989)**	**NET ASSETS**
							Equity
				(32,921)	af	(32,921)	Called up share capital
				92,744	ag	92,744	Retained earnings
				166	ag	166	Other reserves
			-	-		**(59,989)**	**Total shareholders' equity**

Explanation of changes

z) Balances classified as intangibles under UK GAAP remain as Intangibles assets under IFRS. Tangible assets under UK GAAP reclassified as Property, plant and equipment under IFRS.

NOTES TO THE FINANCIAL STATEMENTS (continued)

aa) Balances classified as Tangible assets under UK GAAP are reclassified as Property, plant and equipment under IFRS.

Reconciliation of equity – changes to presentation

ab) 'Debtors' under UK GAAP reclassified into 'Loans and advances to customers due after more than one year', 'Loans and advances to customers due within one year', 'Prepayments, accrued income and other assets', 'Deferred tax', and 'Trade and other payables'. IFRS does not permit netting and non-off settable balances have been grossed up.

ac) 'Cash at bank' under UK GAAP reclassified as 'Cash and cash equivalents' under IFRS.

ad) 'Creditors: amounts falling due within one year' under UK GAAP reclassified as 'Trade and other payables', 'Financial liabilities' and 'Debt securities in issue' under IFRS. Balances reported in current liabilities under UK GAAP relating to the SPV have been reclassified under IFRS to non-current liabilities on the basis the Group has the discretion to roll the facility at the balance sheet date.

ae) 'Creditors: amounts falling due after more than one year' under UK GAAP reclassified as 'Financial liabilities' and 'Debt securities in issue' under IFRS.

af) 'Called up share capital' is consistently named under UK GAAP and IFRS.

ag) The currency translation reserve arising has been separated from 'Retained earnings' under UK GAAP and separately classified as 'Other reserves' under IFRS.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Reconciliation of equity – changes to measurement

31 December 2014

£'000 **UK GAAP in IFRS format**		**Changes to measurement**	**Ref**	***£'000*** **Restated balance sheet in IFRS format**	
Assets					**Assets**
Non-current assets					**Non-current assets**
Intangible assets	9,469	5,702	ah	15,171	Intangible assets
Property, plant and equipment	2,967	375	ai	3,342	Property, plant and equipment
Loans and advances to customers	191	36		227	Loans and advances to customers
Deferred tax assets	353	593	aii	946	Deferred tax assets
Derivative financial instruments			ak		Derivative financial instruments
Total non-current assets	**15,534**			**19,686**	**Total non-current assets**
Current Assets					**Current Assets**
Loans and advances to customers	1,382,388	(1,634)	aj	1,380,754	Loans and advances to customers
Prepayments, accrued income and other assets	7,685	(1,115)		6,570	Prepayments, accrued income and other assets
Cash and cash equivalents	57,185			57,185	Cash and cash equivalents
Current assets	**1,444,704**			**1,444,509**	**Current assets**
Total Assets	**1,460,238**			**1,464,195**	**Total Assets**
Liabilities					**Liabilities**
Current liabilities					**Current liabilities**
Accruals, deferred income	(17,399)	(177)		(17,576)	Accrual, deferred income
Derivative financial instrument	-	(936)		(936)	Derivative financial instrument
Trade and other payables	(387,583)			(387,583)	Trade and other payables
Financial liabilities		(211)		(211)	Financial liabilities
Financial liabilities from Group	(9,322)			(9,366)	Financial liabilities from Group
Debt securities in issue				-	Debt securities in issue
Total Current Liabilities	**(414,304)**			**(415,672)**	**Total Current Liabilities**
Non-current liabilities					**Non-current liabilities**
Deferred tax liability		(33)	aii	(33)	Deferred tax liability
Debt securities in issue	(1,105,923)			(1,105,923)	Debt securities in issue
Total Non-current liabilities	**(1,105,923)**			**(1,105,956)**	**Total Non-current liabilities**
Total Liabilities	**(1,520,227)**			**(1,521,628)**	**Total Liabilities**
NET ASSETS	**(59,989)**			**(57,433)**	**NET ASSETS**
Equity					**Equity**
Called up share capital	(32,921)	-		(32,921)	Called up share capital
Retained earnings	92,744	(2,561)	an	90,183	Retained earnings
Other reserves	166		ao	171	Other reserves
Total shareholders' equity	**59,989**	-		**57,433**	**Total shareholders' equity**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Reconciliation of Equity

	Ref	£'000
Shareholders' equity under UK GAAP		**59,989**
Differences in GAAP increasing (decreasing) retained earnings:		
IAS 17 – Lease accounting		(3,889)
IAS 16 – Property, plant and equipment		3,725
IAS39 - Financial instrument: recognition and measurement	ad	936
IFRS 3 – Business combinations	z	(5,702)
IAS 19 – Employee benefits		177
IAS 12 – Income taxes		(560)
IAS39 - Financial instrument: recognition and measurement		2,752
Change in retained reserves		**(2,561)**
IAS39 - Financial instrument: recognition and measurement	ad	
Retained reserves under IFRS		**57,428**

Reconciliation of equity – changes to measurement

Explanation of changes

ah) Under UK GAAP, goodwill is amortised over its useful life. IFRS3 'Business combinations' requires that goodwill is not amortised but tested for impairment annually. Under IFRS1 'First time adoption of IFRS' the Group has elected to restate the goodwill arising on the acquisition of the Vendcrown group by Mizzen Bidco Limited and reverse £5,702,000 of amortisation charged to the income statement prior to the transition date together with acquisition costs.

ai) Under UK GAAP, leases of land and buildings were treated as operating leases. IAS17 'Leases' requires that a lease be classified as a finance lease where the lease transfers all the risks and rewards incidental to ownership of an asset. Management has determined that the lease on head office premises meets the criteria for recognition as a finance lease.

The effect is to increase Property, Plant and Equipment by a net £375,311. This represents fair value of the land and buildings at the inception of the lease of £4,100,000 less the accumulated depreciation of £3,484,000 which has been charged against Retained reserves. Financial Liabilities increase by £210,940 at 31 December 2014 due to recognition of interest on the finance lease.

aii) Under IFRS IAS 12 'Income taxes'– the deferred tax will be recognized on IFRS adjustments. The impact as at the opening Balance sheet is an increase in Deferred tax assets by £593,186 and an increase of Deferred tax liability by £33,285 with an impact of £559,901 increase in Retained earnings.

aj) Under UK GAAP, the Group applied the sum of digit methodology to calculate the amount of income recognized on the financial assets. IAS 39 'Financial instrument: recognition and measurement' requires that the effective interest rate methodology be utilised.

The effect is to reduce Loans and Receivables by £2,752,192.

ak) Under UK GAAP, derivative financial instruments were treated as being off-balance sheet. IAS 39 'Financial instrument: recognition and measurement' requires that derivative financial instruments are measured at fair value on the balance sheet and the credit risk of the respective counterparties is a component of the valuation.

The effect is to recognise Current liabilities, Derivative Financial Instruments of £935,518 at 31 December 2014 with the respective decrease in the Retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

al) Under previous UK GAAP, the Group did not account for the liability to employees arising from accrued holiday pay. IAS 19 'Employee benefits' requires the accrual of holiday pay where material.

The effect is to increase Trade and Other Payables by £177,121 with a consequent reduction in Retained earnings.

Independent auditors' report to the members of Mizzen Mezzco Limited

Report on the parent company financial statements

Our opinion

In our opinion, Mizzen Mezzco Limited's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 31 December 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the company balance sheet as at 31 December 2015;
- the company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter
We have reported separately on the group financial statements of Mizzen Mezzco Limited for the year ended 31 December 2015.

Matthew Falconer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 April 2016

COMPANY BALANCE SHEET

As at 31 December 2015

		2015		2014	
	Note	**£'000**	**£'000**	£'000	£'000
Fixed Assets					
Investments	2		**44,502**		32,921
Current assets					
Debtors	3	**12,130**		11,224	
Creditors: amounts falling due within one year	4	**(9,681)**		(9,571)	
Net current assets			**2,449**		1,653
Net assets			**46,951**		34,574
Capital and reserves:					
Called up share capital	5		**44,502**		32,921
Profit and loss account	6		**2,449**		1,653
Total shareholders' funds	7		**46,951**		34,574

Approved by the Board on 25th April 2016 and signed on its behalf by:

Thomas Woolgrove

Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital	Profit and loss	Total equity
	£'000	**£'000**	**£'000**
At 1 January 2014	**32,921**	**300**	**33,221**
Profit for the year	**-**	93,194	**93,194**
Dividends paid	**-**	(91,841)	**(91,841**
At 1 January 2015	**32,921**	**1,653**	**34,574**
Profit for the year	**-**	12,377	**12,377**
Issue of preference shares	11,581	**-**	**11,581**
Dividends paid	-	(11,581)	**(11,581)**
At 31 December 2015	**44,502**	**2,449**	**46,951**

NOTES TO THE COMPANY BALANCE SHEET

1. General information

Mizzen Mezzco Limited is the parent Company of the Mizzen Mezzco group and its principal subsidiary, Premium Credit Limited. The company is incorporated and domiciled in England and Wales.

Accounting policies

A summary of the principal accounting policies, which have been applied consistently, is set out below.

Basis of preparation

The financial statements of Mizzen Mezzco Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The Company financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

During the year the company transitioned from UK generally accepted accounting principles (UK GAAP) to FRS 101 - Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking, Pomegranate Acquisitions Limited, was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. There are no material recognition or measurement differences arising on the adoption of FRS 101.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

(a) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*.

(b) The requirements of IAS 7 *Statement of Cash Flows*.

(c) The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

(d) The requirements of paragraphs 17 and 18A of IAS 24 *Related Party Disclosures*.

(e) The requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

(f) The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

NOTES TO THE COMPANY BALANCE SHEET (continued)

Principle accounting policies

Going concern

The directors have assessed the ability of the entity to operate as a going concern based on the conclusions drawn with respect to the various risks. As such, these financial statements have been prepared on the going concern basis.

Interest payable

Interest payable is recognised in the profit and loss account on an accruals basis. Interest expense is the amount due on debt securities in issue.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed annually by the directors or where there has been an indication of potential impairment.

Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of investment in subsidiaries

The Company classifies the investment in its subsidiaries as available for sale. Where there is objective evidence of a significant or prolonged decline in the fair value of the subsidiary below its cost the Company would recognise an impairment loss.

The valuation of the Company’s subsidiaries is primarily driven by the trading performance of Premium Credit Limited, an entity engaged in the financing of instalment premium services. Premium Credit Limited is an unlisted entity and its fair value is determined using a present value model. The most significant factors determining the financial performance of Premium Credit Limited and the cash flows it is able to generate include the economic environment, notably interest rates, unemployment levels, payment behaviours and bankruptcy trends. These factors all have a bearing on the future credit quality of the loans and advances made by the subsidiary and could cause actual credit losses to differ materially from reported loan impairment.

NOTES TO THE COMPANY BALANCE SHEET (continued)

2. Investments

Shares in group undertakings	Company £'000
Cost and net book value	
At 1 January 2015	**32,921**
Additions	**11,581**
At 31 December 2015	**44,502**

On 25 February 2015 the Company made a capital contribution of £11,581,089 for £1 per share to its immediate subsidiary, Mizzen Midco Limited.

Subsidiary undertakings

Name	Parent entity	Principal activity	Country of incorporation	Group Interest	Capital
Mizzen Midco Ltd	Mizzen Mezzco Ltd	Holding company	UK	100%	£2,205,000
Mizzen Bondco Ltd	Mizzen Midco Ltd	Bond financing	UK	100%	£1
Mizzen Mezzco 2 Ltd	Mizzen Bondco Ltd	Mezzanine financing	UK	100%	£32,921,166
Mizzen Bidco Ltd	Mizzen Mezzco 2 Ltd	Investment company	UK	100%	£32,921,166
Vendcrown Ltd	Mizzen Bidco Ltd	Holding company	UK	100%	£16,258
Premium Credit Ltd	Vendcrown Ltd	Premium financing	UK	100%	£10,000
Direct Debit Management Services Ltd	Premium Credit Ltd	Dormant	UK	100%	£2

The directors are of the opinion that the carrying value of the investment is supported by the underlying assets.

3. Debtors

	2015 £'000	2014 £'000
Amounts owed by group undertakings	**12,130**	11,224

4. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Amounts owed to group undertakings	**9,681**	9,571

The Company has a loan from its immediate parent undertaking, Pomegranate Acquisitions Limited, amounting to £9,559,000 (2014: £Nil) which is interest free and repayable 30 October 2022, with the remainder of £122,000 (2014: £205,000) attributable to expenses recharged from Premium Credit Limited. In 2014 the Company had a loan from its immediate parent, Mizzen Topco S.C.A. 2014: £9,366,000

NOTES TO THE COMPANY BALANCE SHEET (continued)

5. Called up share capital

	2015	2014
	£'000	£'000
Allotted and fully paid		
32,921,166 ordinary shares of £1 each	**32,921**	32,921
(2014: 32,921,166 ordinary shares of £1 each)		
Issue of 11,581,089 preference shares at par	**11,581**	**-**
	44,502	32,921

6. Profit and Loss Account

	2015	2014
	£'000	£'000
At 1 January	**1,653**	300
Profit for the financial year	**12,377**	93,194
Dividends paid	**(11,581)**	(91,841)
At 31 December	**2,449**	1,653

7. Total Shareholders' Funds

	2015	2014
	£'000	£'000
Opening balance at 1 January	**34,574**	33,221
Profit for the financial year	**12,377**	93,194
Dividends paid	**(11,581)**	(91,841)
Issue of preference shares	**11,581**	**-**
Closing balance at 31 December	**46,951**	34,574