

Mizzen Mezzco Limited
Annual report and financial statements
for the year ended 31 December 2014

Registered number 08179245

Mizzen Mezzco Limited

Annual report and financial statements for the year ended 31 December 2014

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Mizzen Mezzco Limited

Directors and registered office

Directors

A.S. Doman
P. Catterall
M. Crewe
A. Santospirito
L.C. Powers-Freeling
J. Reeve
C. Burke

Registered office

18 South Street
London
United Kingdom
W1K 1DG

Independent auditor

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2 RT

Mizzen Mezzco Limited

Strategic Report for the year ended 31 December 2014

Review of the business and future outlook

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, the group’s primary operating subsidiary, has been trading since 1988. Mizzen Mezzco Limited (the “company”) is the holding company of Mizzen Midco Limited and its subsidiaries.

The principal activity of the group is the financing of insurance premiums and instalment services in the UK and Ireland. It is the leading third party insurance premium finance processing and payment facilitation group in the UK and Ireland with a market share of circa 60%. The group has 2.1 million customers and achieved gross advances of £3.8 billion in the year (2013: £4.2 billion in the period), processing 27.5 million (2013: 29.9 million) direct debits.

The group made a profit of £6.5 million for the year (2013: loss for the period of £0.5 million). The group’s primary trading business, Premium Credit Limited delivered a strong performance for the period of £29.5 million profit after tax (2013: £30.5 million). The business has continued to deliver a solid underwriting performance, with a loss ratio of 0.39% of loans and advances to customers for the period (2013: 0.37%).

Barclays Capital, Lloyds Banking Group, Deutsche Bank, HSBC, Société Générale, Bank of America Merrill Lynch and Citigroup have extended the long-term financing facility of £1,150 million to 25 September 2017. This facility retained an ‘A+’ rating for financial security by DBRS Inc. and an ‘Aa2’ rating by Moody’s.

In the year the group raised additional funding of £200 million by the issuance of a corporate bond. The bond carries a coupon rate of 7%, matures 1 May 2021 and is secured against the assets of group companies.

The group’s principal objective is to provide the best service to its customers and its partners by providing efficient, profitable and successful business solutions. The group aims to achieve sustainable organic growth through offering new products and utilising new technologies, deepening its intermediary relationships and developing opportunities in new markets.

Measurement and performance

Net advances for the year were £3,297 million (2013: £3,627 million) and the total of non-cancelled agreements at the year-end was 2.135 million (2013: 2.013 million).

The group works with more than half of the top 50 UK Brokers and Intermediaries. The group continues to work with approximately 2,700 intermediaries who introduce loan applications that enable customers (corporations and individuals) to pay insurance premiums and other contracts in monthly instalments rather than single amounts. The group also provides monthly instalment facilities for school fees and other subscriptions.

Measure	Description	Year ended 2014	Period ended 2013
Net advances	Value of loans financed	£3,297m	£3,627m
Loss ratio	Ratio of incurred losses to average loans to customers	0.39%	0.37%
Non-cancelled agreements	Number of new business and renewal agreements which are expected to complete to term	2.135m	2.013m
Total shareholders’ funds	As at the year end	£(60.0 m)	£25.5m
No of direct debits processed	Number processed in the year	27.5m	29.9m

Mizzen Mezzco Limited

Strategic Report for the year ended 31 December 2014 *(continued)*

Group shareholders' funds declined significantly in the year to £(60.0) million (2013:£25.5 million) following the issue of a secured corporate bond on the Irish Stock Exchange by a group subsidiary, Mizzen Bondco Limited. Part of the proceeds derived from the issue of the corporate bond were paid to the ultimate controlling party at the time of the issuance, GTCR LLC, and will be recovered by the group through future earnings generation.

The above KPIs are used by the group's executive committees to monitor the performance of the group. The group has achieved its targets with regard to the KPI's during the year.

Principal risks and uncertainties

The group faces a number of business risks mainly due to external factors as detailed below:

i) Financial risk management

The group's activities expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of debt finance and related finance costs.

ii) Interest rate risk

The group's primary source of funding is via a securitisation facility from a Special Purpose Vehicle ("SPV"), PCL Funding I Limited. The SPV issues Variable Funding Notes and Fixed Term Notes to purchasers. Each note bears interest on its note principal balance from the issue date payable in arrears on each settlement date in respect of the interest payment period ending on that settlement date. The rate of interest payable from time to time in respect of the note for each interest period is variable and is equal to the sum of i) the Interest Rate and ii) the Applicable Margin. The SPV has an interest rate swap to manage this interest rate risk.

In April 2014 the group issued a senior secured bond on the Irish Stock Exchange, at a fixed rate of interest.

iii) Credit risk

Due to the credit risk of the group's customer and intermediary base, the group has implemented policies that require appropriate credit checks on customers before advances are made. In particular, when the group relies on a contractual right of recourse from the introducer, underwriting and credit approval is undertaken, both at inception of any trading relationship and periodically thereafter to ensure that they should be able to meet their liabilities. When there is no right of recourse, underwriting of loans considers the type of insurance and the insurer to determine the ability to recover sufficient pro-rata return of premium in the event the loan has to be cancelled. Also considered is the financial viability of borrowers with loans where the return of premium may not be sufficient to cover any outstanding balance.

iv) Liquidity risk

Liquidity risk is the risk that the group does not have available funds for ongoing operations. In 2014 the securitisation facility remained at £1,150 million but was extended for a further year to 25 September 2017. Funding continues to be provided by seven banks through this £1,150 million three year securitisation facility, via the SPV. In addition, the group raised £200m in the year, before issuance costs, through the issue of a secured corporate bond on the Irish Stock Exchange. The bond was issued by Mizzen Bondco Limited, a group subsidiary, and is secured against the assets and future earnings of group subsidiaries. Adverse circumstances impacting the ability of Premium Credit Limited to distribute dividends at the level envisaged in the bond offer document could restrict the ability of the group to both service debt repayments and raise additional finance.

v) Foreign Exchange rate risk

The group operates in Ireland as well as the UK and is exposed to foreign exchange rate risk arising from currency exposures. Foreign exchange rate risk arises from future commercial transactions, recognised assets and liabilities. The level of operations in Ireland is not considered to be significant and as such the foreign exchange risk is deemed to be acceptable. There are no policies in place to mitigate this risk.

Mizzen Mezzco Limited

Strategic Report for the year ended 31 December 2014 *(continued)*

Principal risks and uncertainties *(continued)*

vi) Regulatory and compliance risks

From 1 April 2014, regulation of Premium Credit Limited, the primary trading company, transferred from the Office of Fair Trading (OFT) to the Financial Conduct Authority (FCA). Premium Credit Limited was granted intermediate authorisation and is currently applying for full authorisation. The group has a dedicated regulatory and compliance function who have oversight for the group's compliance with the relevant regulatory environment.

vii) Operational risks

The group's operational risks include CyberSecurity risk, fraud, people, taxation and technology. The risks are managed by adhering to an established business model, following a risk management approach and maintaining clear limits and metrics.

On behalf of the board



A.S. Doman
Director
13th April 2015

Mizzen Mezzco Limited

Directors' report for the year ended 31 December 2014

The directors present their report and audited consolidated financial statements of the group for the year ended 31 December 2014.

The sections covering the review of the business and future outlook, the business environment, the principal risks and uncertainties and KPIs are covered within the strategic report.

Principal activities

The principal activity of the group is the financing of insurance premiums and instalment services in the UK and Ireland. The group also operates through a branch in Ireland. The results for the group show a profit for the financial year/period of £6.5 million (2013: loss £0.5 million).

Directors

The directors who were in office during the period and up to the date of signing the Annual report were:

A.S. Doman		P. Catterall	(appointed 27 February 2015)
L.C. Powers-Freeling		M. Crewe	(appointed 27 February 2015)
J. Reeve		A. Santospirito	(appointed 27 February 2015)
M.S. Hollander	(resigned 27 February 2015)	C. Burke	(appointed 5 March 2015)
A.D. Cohen	(resigned 27 February 2015)		
C.E. Roche	(resigned 27 February 2015)		

During the year and up to the date of this report, the company maintained liability insurance and third-party indemnification provisions for its directors, under which the company has agreed to indemnify the directors to the extent permitted by law in respect of all liabilities to third parties arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors of the company and any of its associated companies. These indemnities are Qualifying Third-Party Indemnity Provisions as defined in Section 234 of the Companies Act 2006 and copies are available for inspection at the registered office of the company during business hours on any weekday except public holidays.

Results for the year

The results for the year are set out in the strategic report on page 2.

Dividends

During the year the directors declared and approved dividends of £91.8 million (2013: £6.6 million). After the payment of dividends of £91.8 million, the group had a deficit in consolidated shareholders' funds of £(60.0) million (2013: £25.5 million surplus). On 25 February 2015 the company approved and paid a dividend of £11.6 million.

Employee activities

The directors seek to recruit people who are enthusiastic and focused on serving the group's clients and customers. The directors oversee a comprehensive range of education and development programmes to assist people in improving their technical and managerial skills.

The group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The group 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 group. If members of staff become disabled the group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in maintaining its performance. The group encourages the involvement of employees by means of regular bulletins and presentations.

Mizzen Mezzco Limited

Directors' report for the period ended 31 December 2014 *(continued)*

Donations

During the year the group donated £8,440 (2013: £8,857) to charitable causes.

Post balance sheet event

On 13 January 2015, GTCR LLP, the ultimate controlling party at 31 December 2014, announced its intention to dispose of its entire stake in the group to "Cinven" for £462 million. The deal was completed on 27 February 2015, the date at which "Cinven" is determined by the Board to be the ultimate controlling party.

Following acquisition by "Cinven" a corporate restructuring was undertaken and the Board now considers the ultimate parent undertaking to be Pomegranate Topco Limited, which is incorporated in Jersey.

Please see note 30 (page 24) in the Notes to the financial statements for the composition of "Cinven".

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 UK Accounting Standards 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 group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

Each person who is a director at the time of approval of the Annual report confirms the following:

- so far as the director is aware, there is no relevant audit information of which the group's auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board



A.S. Doman
Director
13th April 2015

Mizzen Mezzco Limited

Independent auditors' report to the members of Mizzen Mezzco Limited

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's profit and cash flows for the year then ended;
- 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

Mizzen Mezzco Limited's financial statements comprise:

- Consolidated and parent company balance sheet as at 31 December 2014;
- Consolidated profit and loss account and statement of group total recognised gains and losses for the year then ended;
- Consolidated cash flow statement 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 applicable law and United Kingdom Accounting Standards (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 parent company 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.

Mizzen Mezzco Limited

Independent auditors' report to the members of Mizzen Mezzco Limited (continued)

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 6, 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 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

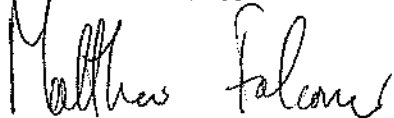
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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

- whether the accounting policies are appropriate to the group's and 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.



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

London

13th April 2015

Mizzen Mezzco Limited

Consolidated profit and loss account for the year ended 31 December 2014

	Note	2014	Period ended 2013
		£'000	£'000
Group turnover	3	118,376	128,491
Administrative expenses	4	(61,318)	(72,305)
Group operating profit		57,058	56,186
Interest receivable and similar income	6	-	11
Interest payable and similar charges	7	(50,009)	(49,727)
Profit on ordinary activities before taxation	8	7,049	6,470
Tax on profit on ordinary activities	9	(572)	(7,014)
Profit/(loss) for the financial year	23	6,477	(544)

There is no material difference between the above results and their historical cost equivalents.

Results relate to continuing operations.

Consolidated statement of group total recognised gains and losses for the year ended 31 December 2014

	Note	2014	Period ended 2013
		£'000	£'000
Profit/(loss) for the financial year	23	6,477	(544)
Foreign currency translation difference	23	(166)	(244)
Total recognised gains and losses for the financial year		6,311	(788)

Mizzen Mezzco Limited

Consolidated balance sheet as at 31 December 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Intangible assets	13	9,469	10,088
Tangible assets	14	<u>2,967</u>	<u>1,052</u>
		12,436	11,140
Current assets			
Debtors	16	1,390,617	1,314,540
Cash at bank and in hand	17	<u>57,185</u>	<u>41,857</u>
		1,447,802	1,356,397
Creditors: amounts falling due within one year	18	<u>(929,183)</u>	<u>(901,196)</u>
Net current assets		518,619	455,201
Total assets less current liabilities		<u>531,055</u>	<u>466,341</u>
Creditors: amounts falling due after more than one year	19	(591,044)	(440,800)
Net (liabilities)/ assets		<u>(59,989)</u>	<u>25,541</u>
Capital and reserves			
Called up share capital	22	32,921	32,921
Profit and loss account	23	(92,910)	(7,380)
Total shareholders' (deficit)/funds	24	<u>(59,989)</u>	<u>25,541</u>

These consolidated financial statements and notes on pages 9 to 24 were approved by the Board of Directors on 13th April 2015 and signed on its behalf by:



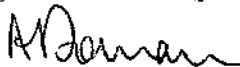
A.S Doman
 Director
 Mizzen Mezzco Limited
 Company Number 08179245

Mizzen Mezzco Limited

Company balance sheet as at 31 December 2014

		2014		2013	
	Note	£'000	£'000	£'000	£'000
Fixed asset investments					
Investments	15		32,921		32,921
Current assets					
Debtors	16	11,224		68,979	
Creditors: amounts falling due within one year	18	(9,571)		(68,679)	
Net current assets			1,653		300
Net assets			34,574		33,221
Capital and reserves:					
Called up share capital	22		32,921		32,921
Profit and loss account	23		1,653		300
Total shareholders' funds	24		34,574		33,221

These financial statements and notes on pages 9 to 24 were approved by the Board of Directors on 13th April 2015 and signed on its behalf by:



A.S.Doman
 Director
 Mizzen Mezzco Limited
 Company Number 08179245

Mizzen Mezzco Limited

Consolidated cashflow statement as at 31 December 2014

	Note	2014	2013
		£'000	£'000
Net cash inflow from operating activities	25	12,523	17,649
Returns on investments and servicing of finance			
Interest received		-	11
Interest paid		(47,838)	(41,828)
Equity dividends paid to shareholders		(91,841)	(6,592)
Net cash outflow from returns on investments and servicing of finance		(139,679)	(48,409)
Taxation		(2,607)	(4,748)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,828)	(551)
Expenditure to acquire intangible assets		(2,025)	-
Net cash outflow for capital expenditure and financial investment		(4,853)	(551)
Acquisitions and disposals			
Purchase of subsidiary undertaking		-	(172,000)
Acquisition expenses		-	(3,308)
Cash acquired with subsidiary		-	263
Settlement of debt on acquisition		-	(736,953)
Net cash outflow before use of liquid resources and financing		-	(911,998)
Management of liquid resources		-	-
Net cash inflow from management of liquid resources		-	-
Financing			
Issue of ordinary share capital		-	32,921
Increase in borrowings		250,187	957,237
Repayments		(100,077)	-
Net cash inflow from financing		150,110	990,158
Effects of foreign exchange		(166)	(244)
Increase in cash		15,328	41,857
Reconciliation to net debt			
Net debt as at 1 January 2014/14 August 2012		(923,251)	-
Increase in net cash		15,328	41,857
Movement in borrowings		(150,110)	(965,108)
Net debt at 31 December	26	(1,058,033)	(923,251)

Mizzen Mezzco Limited

Notes to the financial statements for the year ended 31 December 2014

1 Accounting policies

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

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the period, are set out below.

Going concern

The directors have assessed the ability of the group to operate as a going concern based on the conclusions drawn with respect to financial, interest rate, credit, liquidity, foreign exchange, regulatory, compliance and operational risks and ability to generate future earnings, as outlined in the strategic report. As such, these financial statements have been prepared on the going concern basis.

Basis of consolidation

The financial information of the group incorporates the assets, liabilities and results of Mizzen Mezzco Limited and its subsidiary undertakings. The financial statements of subsidiaries have the same year end as the parent company, and have been prepared using accounting policies which are uniform across the group and any profits or losses on intra group transactions have been eliminated. The group has a Special Purpose Vehicle, PCL Funding I Limited, which is used to provide funding to the group. The assets, liabilities and results of PCL Funding I Limited are also incorporated as part of the Mizzen Mezzco group.

Turnover and revenue recognition

Turnover represents finance charge income earned during the year net of commissions and other incentives payable. Turnover was predominantly derived from activities in the European Union. The whole of the finance income of each finance agreement is recognised over the period of the underlying agreement using the sum of digits methodology. Income is deferred by reference to the number of days remaining outstanding on each agreement at the balance sheet date.

Interest receivable and payable

Interest receivable and payable is recognised in the profit and loss account on an accruals basis. Interest receivable represents amounts due from Mizzen Midco Limited on intercompany loans and from interest on bank balances. Interest expense is the amount due to Mizzen Topco S.C.A on intercompany loans. The interest costs incurred have been charged to the profit and loss account on an accruals basis.

Bad and doubtful debts

The group maintains a provision for bad and doubtful debts at an amount sufficient to absorb losses inherent in the group's loans and advances to customers, based on a projection of net credit losses. The provision is calculated based upon the projected incurred losses from the extant book over the next 12 months. The model uses historic performance in three key areas to project future losses. These are defaults, write offs and recoveries.

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.

Comparative period

The comparative period is for the period 14 August 2012 to 31 December 2013.

Mizzen Mezzco Limited

Notes to the financial statements for the year ended 31 December 2014 *(continued)*

1 Accounting policies *(continued)*

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation and any provision for impairment in value. Cost includes the original purchase price of the intangible asset and the costs attributable to bringing the intangible asset to its working condition for its intended use. Impairment reviews are conducted to ensure the recoverability of the carrying amount of the intangible assets. Intangible fixed assets are amortised on a straight line basis over the anticipated life of the underlying asset or rights acquired, presently 3-5 years.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recovered. All tangible fixed assets are depreciated on a straight-line basis by reference to their estimated useful life. This is a period of 3 to 5 years for vehicles and other equipment. Leasehold improvements are written off over the period of the lease.

Pension costs

The group participates in a defined contribution pension scheme operated by an independent fund manager. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The assets of the scheme are held separately from those of the group.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted as at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax in the future, with the following two exceptions:

- i) Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- ii) Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Differences between the translated transactions and subsequent cash settlements, or related translated balances, are taken to the profit and loss account.

The balance sheets for foreign operations are consolidated at the rate of exchange ruling at the balance sheet date. The profit and loss accounts are consolidated using the average rate for the year. The exchange differences arising on the retranslation of opening net assets are taken directly to reserves.

Operating leases

Operating lease costs are charged to the profit and loss account on a straight-line basis over the lease term.

Mizzen Mezzco Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

1 Accounting policies (continued)

Cash at bank

There are three elements within cash balances consisting of pre-funding cash, encumbered cash and free cash. Pre-funding cash in SPV is only available for the purposes of funding new assets. Encumbered cash of £10 million is included in SPV and PCL Limited cash balances to reduce the credit risk of loan note holders. Free cash is used for any other funding requirements, such as for the purposes of group companies. Cash at bank is held within Sterling bank accounts in SPV and Sterling, Euro, US dollar bank accounts in PCL.

2 Segmental reporting

The group operates in one class of business, namely the financing of insurance premiums and instalment services, and in one geographical area, Europe. Accordingly, a segmental analysis of the group's business is not provided.

3 Group Turnover

	2014	Period ended 2013
	£'000	£'000
Gross collections	219,936	232,785
Less intermediary and finance commission payments	(101,560)	(104,294)
Group turnover	118,376	128,491

The intermediary payments and finance commission payments relate to broker earnings collected by Premium Credit Limited, a subsidiary company, on behalf of brokers and intermediaries.

4 Administrative expenses

	2014	Period ended 2013
	£'000	£'000
Employee expenses (see note 5)	20,601	21,224
Other administrative expenses	40,717	51,081
	61,318	72,305

5 Employee information

During 2014 all of the personnel of the group and company (including directors) were employed by its wholly owned subsidiary, Premium Credit Limited. The average monthly number of employees (including executive directors) employed by the group during the year was 357 (2013: 337). All employees were engaged in the financing of insurance premiums and instalment services.

	2014	Period ended 2013
	£'000	£'000
Directors' emoluments for the group	2014	2013
Employee expenses, including directors' emoluments:	£'000	£'000
Wages and salaries	17,501	18,024
Social security costs	2,113	2,124
Other pension costs	987	1,076
	20,601	21,224

The group operates a defined contribution pension scheme on behalf of its qualifying employees. There were no outstanding or prepaid pension contributions at the balance sheet date.

Mizzen Mezzco Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

5 Employee information (continued)

Directors' emoluments for the group (continued)

	2014 £'000	Period ended 2013 £'000
Aggregate emoluments	774	705
Compensation for loss of office	-	-
Group pension contributions	-	-
	774	705

No retirement benefits are accruing to any directors under the group's defined contribution pension scheme. The directors' costs were borne by a subsidiary company, Premium Credit Limited.

Highest paid director

	2014 £'000	Period ended 2013 £'000
Aggregate emoluments	674	458

No share options have been granted or exercised during the year.

6 Interest receivable and similar income

	2014 £'000	Period ended 2013 £'000
Interest receivable from bank deposits	-	11

7 Interest payable and similar charges

	2014 £'000	Period ended 2013 £'000
Interest payable to group undertakings	1,672	7,916
Interest payable to securitising banks	27,655	32,494
Interest payable on interest rate hedge	2,406	2,748
Interest payable on Mezzanine Finance	9,215	6,569
Interest payable on corporate bond	9,061	-
	50,009	49,727

Mizzen Mezzco Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

8 Profit on ordinary activities before taxation

	2014	Period ended 2013
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Operating lease rentals – plant and machinery	322	311
Operating lease rentals – other	631	780
Depreciation charge on tangible fixed assets	913	688
Amortisation charge on goodwill and other intangible assets	2,644	3,296
Impairment of loans and advances to customers	4,918	5,610
Auditors' remuneration:		
Fees payable to the company's auditor for the audit of the company's annual financial statements	6	5
Fees payable to company's auditor and its associates for other services - the audit of the company's subsidiaries pursuant to legislation.	1,224	127

9 Tax on profit on ordinary activities

(a) Analysis of tax in the period

	2014	Period ended 2013
	£'000	£'000
Current tax:		
UK corporation tax on profit for the year	2,560	6,908
Double tax relief	(228)	(640)
Adjustments in respect of prior periods	(2,070)	-
Current tax	262	6,268
Foreign tax	228	640
Foreign tax	228	640
Total current tax	490	6,908
Deferred tax	2014	Period ended 2013
	£'000	£'000
Origination and reversal of timing differences	79	35
Adjustment in respect of prior periods	3	6
Impact of change in UK tax rate	-	65
Total deferred tax (note 10)	82	106
Tax on profit on ordinary activities	572	7,014

Mizzen Mezzco Limited

Notes to the financial statements for the year ended 31 December 2014 *(continued)*

9 Tax on profit on ordinary activities *(continued)*

(a) Analysis of tax in the period *(continued)*

The standard rate of corporation tax in the United Kingdom reduced from 23% to 21% on 1 April 2014, and through the enactment of the Finance Act 2013 on 17 July 2013, will reduce further to 20% from 1 April 2015. Therefore, the company's profits for this accounting period are taxed at a standard effective rate of 21.5% (2013: 23.36%).

Under UK GAAP deferred tax assets and liabilities are recognised at the tax rates that are expected to apply during the period in which the asset is realised or liability is settled based on tax rates that have been substantively enacted at the balance sheet date. Accordingly, the deferred tax balances at 31 December 2014 have been reflected at a tax rate of 20%.

(b) Factors affecting the tax charge for the current period

The tax assessed on the profit on ordinary activities for the period is lower than the standard effective rate of corporation tax in the UK which is currently 21.5% effective from 1 April 2014. The differences are reconciled below.

	2014 £'000	Period ended 2013 £'000
Profit on ordinary activities before taxation	7,049	6,470
Profit on ordinary activities multiplied by the standard effective rate of corporation tax in the UK of 21.49% (2013:23.36%)	1,515	1,511
Permanent differences in respect of disallowed expenditure	1,131	5,432
Adjustments in respect of prior periods	(2,070)	-
Other short term timing differences	(86)	(35)
Total current tax	490	6,908

10 Deferred taxation

Deferred tax included in the balance sheet is as follows:

Group	2014 £'000	Period ended 2013 £'000
Accelerated capital allowances	346	435
Rate change	6	-
Deferred tax asset (see note 16)	352	435
Deferred tax movement for the year:		
At 1 January/on acquisition	434	541
Profit and loss charge (note 9)	(82)	(106)
At 31 December	352	435

Mizzen Mezzco Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

11 Company profit for the financial year

As permitted by section 408 of the Companies Act 2006, a separate company profit and loss account has not been included in these financial statements. The company profit for the financial period is £93.2 million.

12 Dividends

Company	2014 £'000	2013 £'000
Ordinary shares		
Declared and paid 20 December 2012: £0.13 per £1 share	-	1,792
Declared and paid 22 May 2013: £0.15 per £1 share	-	4,800
Declared and paid 8 May 2014: £2.79 per £1 share	91,841	-
	<u>91,841</u>	<u>6,592</u>

On 25 February 2015 the company approved and paid a dividend of £11.6 million (£0.35 per £1 share).

13 Intangible assets

	Goodwill £'000	Assets under construction £'000	Software licences £'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	3,070	-	1,164	4,234
Amortised in period	2,632	12	-	2,644
At 31 December 2014	5,702	12	1,164	6,878
Net book value at 31 December 2014	7,456	2,013	-	9,469
Net book value at 31 December 2013	10,088	-	-	10,088

Assets under construction relate to internally developed software. The directors do not consider there to be any evidence of impairment of the assets.

Mizzen Mezzco Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

14 Tangible assets

	Vehicles and other equipment	Leasehold improvements	Total
	£'000	£'000	£'000
Cost			
At 1 January 2014	6,714	1,830	8,544
Additions	2,828	-	2,828
Disposals	(128)	-	(128)
Exchange difference	(2)	-	(2)
At 31 December 2014	9,412	1,830	11,242
Accumulated depreciation			
At 1 January 2014	5,848	1,644	7,492
Charged in period	820	93	913
Disposals	(128)	-	(128)
Exchange difference	(2)	-	(2)
At 31 December 2014	6,538	1,737	8,275
Net book value at 31 December 2014	2,874	93	2,967
Net book value at 31 December 2013	866	186	1,052

No fixed assets are held by the company.

15 Fixed assets investments

	2014	2013
	£'000	£'000
Shares in group undertakings		
Cost and net book value		
At 31 December	32,921	32,921

Principal subsidiary undertakings at 31 December 2014

Name	Parent entity	Principal activity	Country of incorporation	Group Interest	Share 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 believe that the carrying value of the investments is supported by their underlying assets.

Principal subsidiary undertakings at 31 December 2013

Name	Parent entity	Principal activity	Country of incorporation	Group Interest	Share Capital
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

Mizzen Mezzco Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

15 Fixed assets investments (continued)

In April 2014, a group restructuring was undertaken to facilitate the refinancing of the group. Two new entities were inserted into the group structure, Mizzen Midco Limited and Mizzen Bondco Limited. As part of the restructuring exercise Mizzen Mezzco Limited disposed of its entire holding in Mizzen Mezzco 2 Limited to Mizzen Bondco Limited. Mizzen Mezzco retained outright ownership during the period with no loss of control over group subsidiaries.

16 Debtors

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Loans and advances to customers	1,382,579	1,304,113	-	-
Amounts owed from group undertakings	-	-	11,224	68,979
Other debtors	970	781	-	-
Deferred tax asset (see note 10)	352	435	-	-
Prepayments and accrued income	6,716	9,211	-	-
	1,390,617	1,314,540	11,224	68,979

Unearned income of £30.4 million (2013: £29.3 million) is netted off against loans and advances to customers. Loans and advances to customers are stated after deduction of a provision for irrecoverable debts. The provision at 31 December 2014 was £2.7 million (2013: £3.5 million). Loans and advances to customers due after more than one year amounted to £191,000 (2013: £ nil).

The amounts owed by group undertakings relate to a balance owed by Mizzen Midco Limited, the subsidiary company.

17 Cash at bank and in hand

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Cash at bank	57,185	41,857	-	-

Cash at bank includes encumbered cash balances held by Premium Credit Funding 1 Limited. Cash at bank comprises of sterling, US dollars and Euro balances.

18 Creditors: amounts falling due within one year

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Trade creditors	387,583	364,594	-	-
Securitisation notes	514,879	455,736	-	-
Amounts owed to group undertakings	9,322	68,600	9,571	68,679
Corporation tax	93	2,210	-	-
Other taxation and other social security	644	522	-	-
Other creditors	544	638	-	-
Accruals and deferred income	16,118	8,896	-	-
	929,183	901,196	9,571	68,679

Securitisation notes relate to external variable rate funding provided to the group through a Special Purpose Vehicle, PCL Funding 1 Limited. The SPV has a Sterling denominated Variable Note Issuance Programme in place. The notes are repaid or issued as the underlying assets decrease or increase. The note holders receive interest and receive or pay principal on a weekly basis. The amounts owed to group undertakings relate to a balance owed to Mizzen Topco S.C.A, the immediate parent company.

Mizzen Mezzco Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

19 Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Mezzanine finance loan	-	40,800
Corporate bond	191,044	-
Securitisation notes	400,000	400,000
	591,044	440,800

Securitisation notes relate to external funding provided to the group through a Special Purpose Vehicle, PCL Funding I Limited. The SPV has a Sterling denominated term note which is fixed for three years up to 25 September 2017.

As part of the refinancing of the group a secured corporate bond was issued by Mizzen Bondco Limited, a group subsidiary. The bond principal of £200 million is stated after issuance costs of £9 million. The bond carries a fixed rate of interest of 7 percent and matures 1 May 2021.

20 Obligations under leases

Annual commitments under non-cancellable operating leases are as follows:

	Land & Buildings		Other	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Arising in the following year and expiring:				
Within one year	-	105	81	170
Between one and five years	620	542	189	48
	620	647	270	218

21 Capital commitments

Capital expenditure authorised and contracted for but not provided in the financial statements amounts to £1.7 million (2013: £1.0 million). The outstanding commitments relate to software development of £1.6 million and computer hardware of £0.1 million.

22 Called up share capital

Company	2014 £	2013 £
Allotted and fully paid up		
32,921,000 "A" ordinary shares of £1 (2013: 32,921,000 "A" ordinary shares of £1)	32,921	32,921

23 Profit and loss account

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
At 1 January/14 August 2012	(7,380)	-	300	-
Profit/(loss) for the financial period	6,477	(544)	93,194	6,892
Foreign currency translation movement	(166)	(244)	-	-
Dividend paid	(91,841)	(6,592)	(91,841)	(6,592)
At 31 December	(92,910)	(7,380)	1,653	300

Mizzen Mezzco Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

24 Reconciliation of the movements in shareholders' funds

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Opening shareholders' funds at 1 January/14 August 2012	25,541	-	33,221	-
Net proceeds of issue of ordinary share capital	-	32,921	-	32,921
Profit/(loss) for the financial year	6,477	(544)	93,194	6,892
Foreign currency translation movement	(166)	(244)	-	-
Dividend paid	(91,841)	(6,592)	(91,841)	(6,592)
Closing shareholders' (deficit)/funds at 31 December	(59,989)	25,541	34,574	33,221

25 Reconciliation of operating profit to net cash flow from operating activities

Group	2014 £'000	2013 £'000
Group Operating profit	57,058	56,186
Depreciation charge	913	688
Amortisation charge	2,644	3,296
Increase in debtors	(76,159)	(77,262)
Increase in creditors	28,067	34,741
Net cash inflow from continuing operations	12,523	17,649

26 Analysis of net debt

Group	As at 1 January 2014 £'000	Cash flow £'000	Exchange movements £'000	As at 31 December 2014 £'000
Cash in hand and at bank	41,857	15,328	-	57,185
Debt due after more than one year	(440,800)	(150,244)	-	(591,044)
Debt due within one year	(524,308)	134	-	(524,174)
	(923,251)	(134,782)	-	(1,058,033)

27 Pension Commitments

The cost of contributions to the defined contribution scheme amounts to £1.0 million (2013: £1.1 million). There were no outstanding or prepaid contributions (2013: £ nil).

28 Related party transactions

There are related party transactions with GTCR LLP, the ultimate controlling party at 31 December 2014. Management fees of £600,000 (2013: £700,000) were paid to GTCR LLP in the period, together with reimbursed travel and entertainment expenses of £205,164 (£2013: £308,642).

The bond issuance costs from GTCR LLP of £2.0 million were capitalised and subsequently set off against the borrowings.

At 31 December 2014 there is an intercompany loan of £9,570,640 (2013: £68,607,205) owed by Mizzen Mezzco Limited to Mizzen Topco S.C.A., which was set up as part of initial acquisition transaction on 31 October 2012. Interest was charged at 8.135% and there is £9,570,639 of accrued interest included in the total (2013: £7,898,573), with only £1 of principal outstanding.

Mizzen Mezzco Limited

Notes to the financial statements for the year ended 31 December 2014 *(continued)*

29 Ultimate parent company

The immediate and ultimate parent company at 31 December 2014 was Mizzen Topco S.C.A., a company incorporated in Luxembourg.

Mizzen Mezzco Limited is the smallest and largest groups of undertakings to consolidate these financial statements at 31 December 2014. The consolidated financial statements of Mizzen Mezzco Limited will be available from 18 South Street, London W1K 1DG.

30 Post balance sheet event

On 13 January 2015, GTCR LLP, the ultimate controlling party at 31 December 2014, announced its intention to dispose of its entire stake in the Group to "Cinven" for £462 million. The deal completed on 27 February 2015, the date at which "Cinven" is determined by the Board to be the ultimate controlling party.

Following acquisition by "Cinven" a corporate restructuring was undertaken and the Board now considers the ultimate parent undertaking to be Pomegranate Topco Limited, which is incorporated in Jersey.

"Cinven" means, as the context requires, Cinven Group Limited, Cinven Partners LLP, Cinven (Luxco1) S.A., Cinven Limited, Cinven Capital Management (V) General Partner Limited and their respective Associates (as defined in the Companies Act 2006) and/or funds managed or advised by any of the foregoing.