PREMIUM CREDIT

Annual Report and Financial Statements 2020

Creating opportunities through convenient payments

Our purpose

We proudly support our community of customers and partners in creating opportunities through convenient payments.

2020 highlights

£3.6 billion
Amount of loans originated
+1.9% (2019: £3.5 billion)

£110.6 million
Total income
+2.3% (2019: £108.1 million)

0.18%
Loan loss ratio
+0.01 p.p. (2019: 0.17%)

£46.4 million
Operating profit
+31% (2019: £36.3 million)

£65.1 million
EBITDA
-£2.0 million (2019: £67.1 million)

2.1 million
Number of loans granted
(2019: 2.1 million)

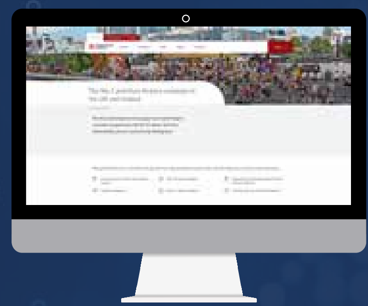
56.9%
Expense to income ratio
-10.5 p.p. (2019: 67.4%) This ratio includes costs deemed non-recurring as well as amounts written off on loans to customers

11.1%
Total income margin
+0.1 p.p. (2019: 11.0%)

Alternative performance measures ('APM'): In the highlights above, Total income, Operating profit and Expense to income ratio are IFRS measures. Management also use a number of APM to assess performance – in the highlights shown above, these are Loan loss ratio (representing Net credit losses for the year / Amount of loans originated over the year), Total income margin (representing Total income / Average funded receivables) and EBITDA. Definitions and reconciliations to statutory financial information can be found in the financial statements and in the Notes to the financial statements. See EBITDA reconciliation table to our Operating profit on page 21.

The measures Amount of loans originated and Number of loans granted are neither IFRS measures nor APMs.

What's inside



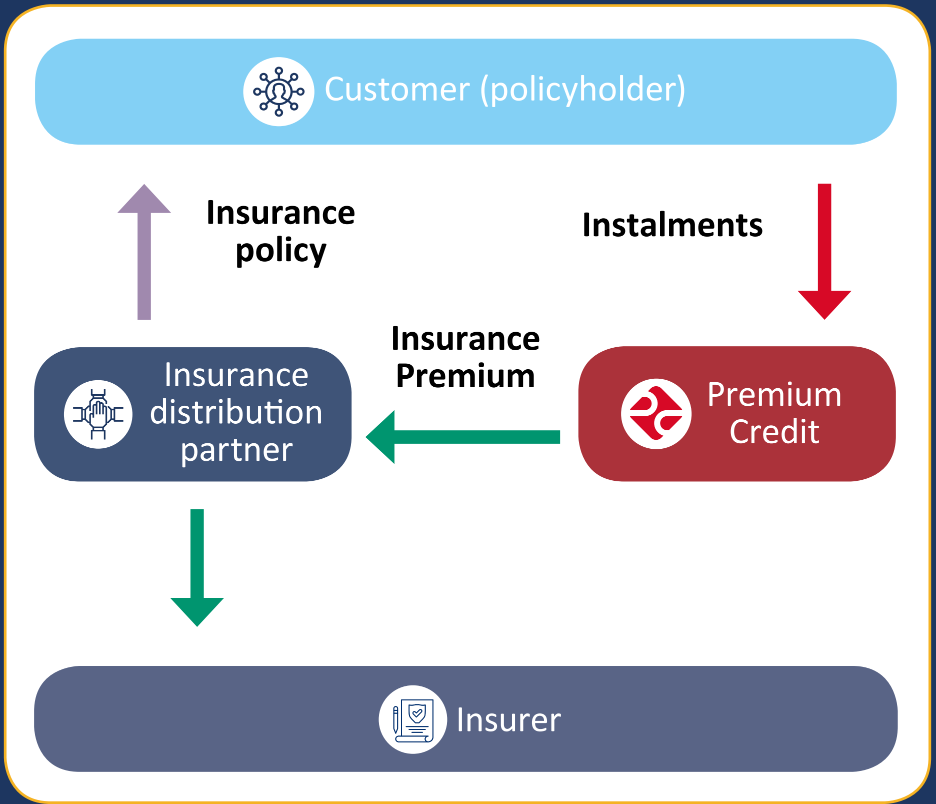
For more information please visit:
www.premiumcredit.com

Company overview

We are an award-winning specialty finance provider operating in the UK and Ireland

Premium Credit Limited ('Premium Credit') provide instalment financing, supporting the purchase of insurance policies and other services to corporates and individuals. Each year, we use our leading, integrated technology to originate over two million loans, lending over £3.5 billion through a network of c. 3,000 partners.

How we do it – example of a journey for insurance premium finance



Customer purchases insurance policies (or other payment-in-advance service such as school fees) from one of our intermediary partners, and is required to pay for the insurance policy (or the service purchased) prior to receiving the service.

The intermediary partner simultaneously offers to arrange finance for the payment, enabling the customer to spread the cost of the service over the period the service is received.

We fund the full premium to the intermediary partner, and collect the loan from the customer in monthly instalments through direct debit collections.

Upon a default, we cancel the insurance policy (or other service) and depending on business line and product, recover its remaining value from the service provider. For most lending to consumers we have additional recourse to the intermediary partner.

Our end-customers
We enable the purchase of critical products to our end-customers, allowing them to make the annual cost of mandatory or important payments more affordable, by spreading them over regular instalments. We serve over two million individuals, SMEs and corporate clients, with a focus on strong customer outcomes. This is reflected in our customer satisfaction scores, as well as our 'Excellent' rating on Trustpilot.

Our intermediary partners
Our diversified network of c.3,000 partners outsource the provision of instalment finance for their customers to Premium Credit. Our intermediary partners include insurance brokers, insurance providers, membership organisations, schools and leisure facility providers. As a B2B2C provider, we have high brand awareness within our strong partner relationships. Those relationships are long term and multi-faceted across their sales, operations and IT functions.

Intermediary partners choose to work with us because of our track record of reliable service, our significant investment in IT integration which delivers seamless journeys for them and their customers, and our strong focus on regulatory compliance.

Our markets and offering

We work with a variety of intermediary partners to provide seamless financing for our customers

Premium Credit serves two key end markets: (i) the financing of insurance premiums ('Insurance Premium Finance') and (ii) the financing of other services, including professional and golf memberships, corporate tax liabilities, school fees and season tickets ('Specialist Lending').

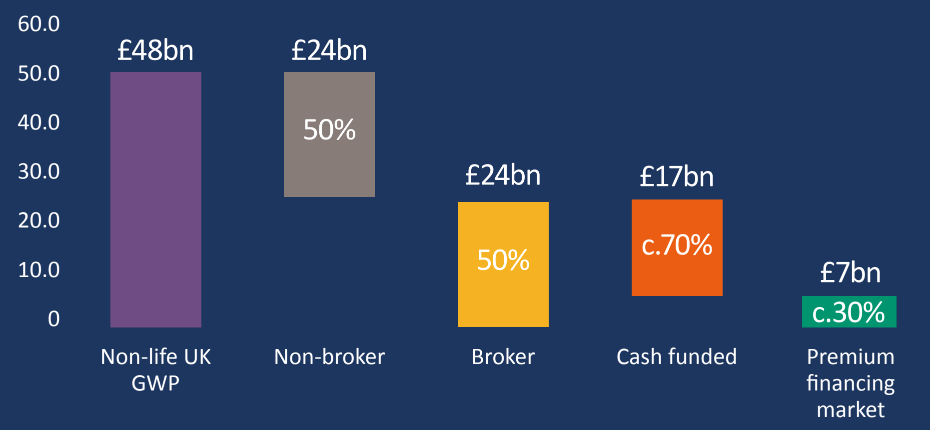
British Insurance Brokers' Association

Association of British Insurers

Brokers Ireland

Income split

UK insurance and third-party premium finance market size



Insurance Premium Finance
We work with a variety of intermediary partners to provide financing for non-life insurance premiums.

The total broker market in the UK for non-life insurance premiums, gross written premiums ('GWP') is c. £24 billion. This grows broadly in line each year with GDP. The third party premium finance market (i.e. not funded by the insurer or partner) is estimated at c. £7 billion. Premium finance has historically grown at a faster rate than GWP, driven by increasing penetration of the product. Substitute forms of finance, such as credit cards and overdrafts, often attract higher interest rates than premium finance.

Premium Credit is one of the market leaders in insurance premium finance. Over half of our intermediary partners have worked with us for more than ten years.

We continue to increase penetration within our existing broker partner base. In parallel, we are driving growth through other partners such as insurers and affinity partners, many of who seek to outsource the provision of premium finance given increased regulatory requirements.

Specialist Lending
Our specialist lending products exhibit similar attributes to insurance premium finance: making important services such as professional memberships and school fees affordable. Across just schools, corporate tax liabilities and golf memberships, we estimate there is a total market of over £230 billion payments per year. Our competitors in insurance premium finance are less active in this channel. Competition for these products tend therefore to be boutique firms.

Our business model

01

Market leader providing critical products with attractive growth drivers across core and adjacent markets

06

Our future: benefiting from material investment to date with tangible growth levers under management's control

05

Superior risk management delivers strong risk-adjusted returns and cash generation

02

Diversified customer and intermediary partner base with symbiotic relationships

03

Extensive digital investment leading to seamlessly embedded technology solutions

04

Strong risk and compliance culture, on the forefront of the regulatory agenda

01

Leader in a growth market with further adjacent opportunities

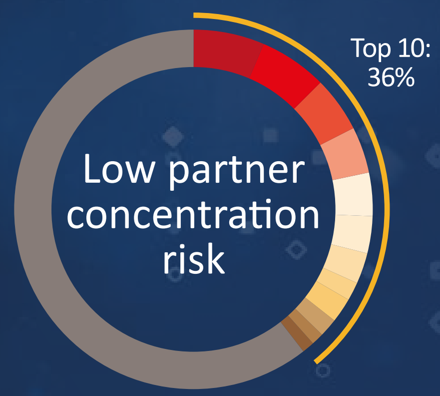
The products we finance are either mandatory, business critical or high on the list of priorities for our customers. Aside from increasing market share of our intermediary partners and increasing finance penetration with these partners, further opportunities exist in the non-broker and affinity partner market segments.

02

Diversified customer and intermediary partner base

We have long-term and symbiotic intermediary partner relationships, with low concentration risks: only 36% of the outstanding balance of our loans has been originated though our top ten partners. We are the only insurance premium finance provider accredited by the British Insurance Broking Association and have held preferred supplier status with Broker Ireland for over five years.

Our customer base is extremely diversified, with over 2.1 million customers annually, from consumers right through to large corporate clients.



03

Our digital investment

We have made material investments over the last five years to transform our digital offering. Our technology platforms enable point of sale financing with real-time decision making, either fully integrated within our partners' systems or seamlessly supported with customer and partner portals. For many partners, our platform becomes an integral part of their payments system. Last year, we facilitated c.25 million direct debits.

Our technology is underpinned by a robust cyber infrastructure, which has benefited from significant investment in recent years. We are ISO 27001 and ISO 22301 certified.

04

Our regulatory and compliance culture

Premium Credit is authorised and regulated by the Financial Conduct Authority for Consumer Credit Lending and Broking in the UK, and by the Central Bank of Ireland as a moneylender in Ireland.

Our focus at Premium Credit is on strong customer outcomes. We assess customer affordability on all loans, and perform an enhanced assessment on larger loans and higher risk customers. We ensure fair treatment of customers, even when they are vulnerable, through clear customer messaging, and though our focus is on digital, we ensure we can still serve customers as required through more traditional channels when required.

05

Superior risk management and multiple layers of credit protection

Our credit loss rate in 2020 averaged 0.18% of the amount of loans originated (2019: 0.17%)[1]. Our loss rates are significantly lower and less volatile than other forms of consumer finance, given the combination of our credit expertise as well as a number of layers of credit protection embedded in the majority of our products.

On a significant proportion of our products, the underlying policy is cancelled or the service revoked if repayments are not honoured. In the event the customer does not pay, Premium Credit either has recourse to the intermediary partner, or we can seek payment from the underlying insurer/service provider.

These layers of protection drive consistent performance of the business through-cycle with strong cash conversion. EBITDA has grown with minimal volatility from £42.3 million in 2012 to £65.1 million today.

06

Our future

Over the coming years, we expect to continue to benefit from our material technology investments to date. We will continue to drive growth with existing intermediary partners, though continued roll out of our payment technology and frontline training to increase penetration of our financing products. We will also grow through new intermediary partners, expanding our presence across insurers and other types of partners. We will continue to expand our specialist lending business, and in particular we will explore cross-sale opportunities.

Topline growth will be complemented by the achievement of additional operational efficiency, as processes continue to digitise and we increase the operating leverage in the business.

1 Credit loss rate is defined as net credit losses for the year divided by the amount of loans originated over the year.

Chief Executive Officer's review

Creating opportunities through convenient payments.

£110.6m
Total income
(2019: £108.1m)

£65.1m
EBITDA
(2019: £67.1m)

> "Our people and the culture we strive for were vital in delivering these results, and I'm delighted with how we've truly lived our purpose and values in supporting our customers and partners during a demanding time."
>
> Tara Waite | Chief Executive Officer

When I joined Premium Credit in 2019, I was impressed by both the strength of the Company's commercial offering and the capability and dedication of my new colleagues.

My belief in the business and admiration for its people has only been strengthened as we've stood together to overcome a uniquely challenging year.

The Company's positive trajectory has continued throughout 2020 despite the effects of the COVID-19 pandemic. The underlying resilience of our business model has been proven in the face of disruptions to both our customers' needs and our own ways of working. Against that backdrop, we've delivered strong performance including an increase in the loans we originated to £3.6 billion (2019: £3.5 billion), in our Total income to £110.6 million (2019: £108.1 million), and in our Profit before tax to £46.3 million (2019: £36.1 million), while our EBITDA remained strong at £65.1 million (2019: £67.1 million).

Our people and the culture we strive for were vital in delivering these results, and I'm delighted with how we've truly lived our purpose and values in supporting our customers and partners during a demanding time. I would like to personally thank every member of the Premium Credit team and our wider stakeholders for their hard work and adaptability throughout the year.

Performance

We began 2020 with ambitious plans, and were delivering against both our strategic priorities and loan origination growth targets through the early months, growing in line with our distribution partner base, both new and existing.

When the COVID-19 pandemic hit in March, our priorities immediately needed to shift to ensure all our colleagues were safe, and that we could continue to serve our customers and partners away from the office. Our investment in technology infrastructure and security in recent years as well as a coordinated approach to enabling our people to work from home, meant the speed and efficiency of our response to the situation stood us in good stead.

With everyone safely working from home as the UK and Ireland locked down, our services and operations had to similarly adapt as the pandemic impacted our customers. Businesses and whole sectors shut down, and large numbers of customers reached out to us for help. Going above and beyond for our customers and partners has undoubtedly strengthened these relationships and, though we saw some increase in arrears initially as already exposed businesses struggled early on in COVID, we were able to support the majority of our affected customers via payment holidays and other forms of support.

Those arrears quickly stabilised while our advances and revenues remained robust as, with our help, customers and businesses were able to continue trading through turbulent times, and meet their repayment obligations. As a result, amounts written off on loans to customers only grew marginally to £6.4 million (2019: £5.9 million).

Refocusing our purpose, values and strategy

Early in the year, we embarked on a programme to refresh and better communicate our purpose, recognising that the pandemic itself had helped bring our core purpose to the forefront. Our colleagues across the business concluded through the programme that we are here to 'proudly support our customers and partners in creating opportunities through convenient payments'. Alongside this, colleagues also moved our corporate values forward, to better align with what we are here to do. The recently launched new purpose and values have brought colleagues closer together and to our customers and partners.

Our strategy has also evolved this year, building on the ongoing investment in our technology platform and the significant work we undertook to map and understand customer and partner journeys in 2019. Our strategic pillars, objectives and critical KPIs have been updated, and we've committed to new and ambitious targets for 2023.

We plan to outgrow and outearn in our chosen markets. We will achieve that by focusing on three key strategic pillars: the first of which is to provide frictionless digital journeys for our customers and partners. Alongside that we will drive actionable insight from our many sources of data and also match our proposition with a flexible and efficient operating model, all enabled by our ongoing digital investment.

These three pillars are core to our 2023 growth ambitions. Providing a digital, seamless and easy experience consistently for both customers and partners is key to growth, as is properly organising and leveraging the universe of data we have available to us to drive action, generate income and improve margins. Finally, our operating model must be flexible in order to meet the changing needs of our customers, partners and the marketplace, while leveraging technology to deliver cost efficiencies. Further detail is provided on page 10.

Working with our stakeholders

In responding to the year's unprecedented circumstances, our approach in these times of remote working has been to communicate frequently and consistently with our many stakeholders. The Board and the senior leadership team have strived to communicate in as timely and supportive a manner as possible given the rapidly changing environment. Circumstances demanded an enhanced approach to ensuring customers, partners, regulators, investors and shareholders had the information they required. We also had to learn entirely new ways to communicate with our colleagues during remote working.

In order to better understand how we are perceived by the stakeholders we impact the most, we have improved how we monitor and measure a variety of key areas of non-financial performance in our new cultural dashboard, which you can read more about on page 31. Learning more about the views of our customers, colleagues and society is vital for achieving our objectives in a long-term, sustainable way.

It has been pleasing to see positive reactions to our response to the crisis reflected in the dashboard, particularly in our customer satisfaction rates and employee engagement scores. Our Trustpilot rating is above target, and our Net Promoter Score ('NPS') and our overall engagement score have all significantly improved.

Outlook

Looking ahead, the key challenge for the coming year will be navigating the continued impacts of the COVID pandemic and the recession that will likely occur when government support inevitably ends for consumers and businesses. Our products have proven to be invaluable for both customers and partners during these difficult times, and we are ready for a lasting impact of the pandemic on the economy. To that end, we have worked hard to maintain our discipline in underwriting throughout the many lockdowns experienced in the UK and Ireland.

Given that the Company has adapted to working from home very well, we will continue to do so in the short term and only revert back to more regular, face-to-face working when it is absolutely safe to do so. With a large majority of colleagues expressing a desire to maintain some home working in our engagement surveys, we have already begun testing blended working patterns to prepare for life beyond the pandemic.

The other big challenge of 2021 will be managing the impact of the UK's exit from the European Union. Despite a trade deal being agreed, we will remain vigilant and alert to which industries and sectors are going to be most adversely impacted. However, the capability to assess this at the underwriting stage is entirely in line with what was required during the pandemic and so I'm confident in the abilities we have already demonstrated in 2020.

Despite facing these difficult market conditions and tough times in general, these are still exciting times for the Company. We have proven that we're a business that generates substantial profits quarter after quarter even in challenging times, and there remain many opportunities for future growth.

Our most important opportunities come from growing with our existing partners. We need to bring all partners and channels up to the same benchmark as our best high volume, seamless digital journeys, and in this area we have much to do, but also great opportunities. In our more complex lending, we need to ensure brokers' conversations about financing options are enabled and fulfilled by technology and support where necessary. We will also focus on less mature channels in our insurance and specialist lending businesses in the coming years.

The opportunities to grow in 2021 and beyond are substantial and we look forward to outgrowing and outearning in our chosen markets next year, and beyond.

Tara Waite
Chief Executive Officer

Our response to COVID-19

The COVID-19 pandemic significantly impacted our operations, our customers and partners, and our colleagues throughout 2020, like many businesses. However, effective planning, strong decision making and clear communication enabled us to respond and deliver for all our stakeholders.

Preparing for a pandemic

Before the World Health Organization declared the outbreak of COVID-19 a pandemic in March 2020, we spent the preceding weeks considering the potential impacts such a crisis could have on the Company.

With staff wellbeing at the front of our minds, we carried out detailed risk assessments of moving all our colleagues to a working from home model. We analysed this requirement from both an IT infrastructure and HR perspective, considering factors such as the requirement for and availability of equipment, how to maintain and optimise operations in a remote setting, how to communicate the changes to stakeholders, and how to protect staff engagement and morale. We also considered the impact the situation could have on our existing risks – particularly around information security, data protection, cyber and financial crime and fraud – in order to ensure key risk indicators did not move beyond our desired risk appetite.

Setting new short-term priorities

As the gravity of the situation became apparent with imminent lockdowns in the UK and Ireland, we were required to adapt and focus on a number of key priorities.

Facilitating working from home for all employees

Before governments moved to lockdown, we had already made the decision to move all our employees to working from home and ensure the safe continuation of our operations. Within a number of days of this decision, additional laptops and other equipment were rolled out to employees not previously remote-enabled in the UK and Ireland. Arrangements were also put in place for our critical infrastructure support in other countries, including outsourced operations in India and South Africa. Our services continued with no disruption or limitations.

Dealing with changing customer requirements

The impact on our customers presented challenges for both our operations and people. During the first lockdown, we experienced three times the typical volume of calls and had to manage that demand effectively. In parallel, we had to implement a range of new ways we could support affected customers, including reduced instalments, payment holidays and payment freezes.

Refinancing to enable short-term concessions for customers

We have always supported customers in need with forbearance, however the pandemic significantly increased the number of customers requiring that assistance simultaneously. In addition, the duration of the need for support from customers was unknown. We therefore made the decision to strengthen our own funding position to allow for that additional support. By June 2020, through PCL Asset Trustee Limited which we have an intercompany loan with, we had appropriately amended our main funding facilities with the consent of our funding banks and the rating agencies. These amendments were intended to grant structural flexibility in the changing context of COVID-19.

Going above and beyond throughout the year

Providing forbearance

From the onset of the crisis and the first national lockdown in particular, consumers and SMEs in the UK and Ireland faced a period of unprecedented financial anxiety.

The FCA's initial forbearance guidance for premium finance providers in April did not require the length of payment holidays to be as extensive as other types of lending, notably in light of the short-term nature of our lending. Nevertheless, Premium Credit made the decision to do what we could to help our customers experiencing financial hardship and struggling to repay their loans. We reviewed each forbearance case on an individual basis, looking wherever possible to ease the financial burden and ensure that customers continued to have insurance or service that met their needs.

From the onset of the COVID-19 crisis to 31 December 2020, we granted forbearance on £127 million of loans (compared to £3.6 billion of loans originated), of which only £2 million remained in forbearance at year-end, which is in line with our business-as-usual expectations. Since the onset of the crisis, given the short tenure of the loans we write most of our book has been re-underwritten.

Communicating with stakeholders

During the fast-moving environment of March to July and beyond, frequent and substantial dialogue with colleagues, partners, customers and the regulator was central to getting our response right.

We also held regular fundraising events for both our corporate charity partner and for COVID-affected charities.

More information on stakeholder engagement can also be found in our Responsible Business section.

Colleagues

We significantly increased communication to keep our colleagues engaged with the Company and with each other whilst at home. We utilised Microsoft Teams to maintain virtual face-to-face contact, and introduced a weekly all-staff video meeting led by our CEO and Executive team, which included extensive Q&As. We also introduced Connect Express, an internal newsletter sent twice a week, to keep colleagues in touch with news and information from across the business. A full programme of wellbeing initiatives was also introduced to provide support. We gauged opinion on our response via a number of surveys; 97% of respondents felt they received regular and helpful communications and satisfactory support.

Board

We increased the frequency of Board meetings, initially to weekly during the first UK and Irish lockdowns, in order to manage the situation effectively. Frequency returned to the regular schedule once the initial lockdown was deemed to be effectively managed.

Partners and customers

We held initial and then regular conference calls with our key partners to ensure our new customer support options were clear to them and to allow them to ask us any questions, and receive any support required.

Customer demand remained strong, other than temporary decreases in certain sectors impacted by lockdowns, and our overall loan origination volume increased by 1.9% year-on-year.

Regulators

We have worked closely with our regulators in the UK and Ireland throughout the pandemic, having appropriate contact with them whenever required to ensure our ongoing response was in line with their expectations.

Our strategy

We have updated our strategic direction in line with our clearly articulated purpose. Our aim is to cement our position as a leading tech-enabled provider of convenient payment options and to out-grow and outearn in our chosen markets.

To achieve that, we have embedded new objectives, KPIs and pillars, as well as refreshing our purpose and introducing new values.

In order to ensure our strategic planning and objectives remain fit for purpose, we constantly evaluate new developments in the market, gaining insight into trends, drivers and emerging markets.

Our new strategic pillars are underpinned by our market-leading technology, using secure cloud-based systems, which supports business needs and opportunities, and for which we continuously review alternative options that may deliver additional value for the business.

We are tracking performance and actions against our strategy, and we have outlined planned next steps and the timeframe we expect those goals to be delivered in.

Note: In the rest of this document, Net Advances is called ‘Amount of loans originated’, Net Income is called ‘Total income’ and Net Income Margin is called ‘Total income margin’.

Our purpose

We proudly support our community of customers and partners in creating opportunities through convenient payments

Our values

Stand Together – Work together as one team
+
Stand Up – Be relied upon to get it done
+
Stand True – Act with honesty and integrity
+
Stand Out – Embrace originality, courage and passion

Our strategic direction

Premium Credit, as a leading tech-enabled provider of convenient payment options, will be a sustained value creator through outgrowing and outearning its market peers

Our strategic objectives and critical KPIs

1. Outgrow in our markets
- Net Advances
- Net Income

2. Outearn in our markets
- Total Income Margin
- Risk Adjusted Income
- EBITDA

3. Return cost of capital on all new initiatives

Our strategic pillars

Frictionless digital journeys
Deliver growth and efficiencies through digitally enabled customer and partner journeys

Actionable insight
Generate income and improve margins through the effective management of customer, partner and performance data

Flexible operating model
Improve customer and partner experience by creating the best processes, capabilities and team

Our enabler

Market-leading technology

Strategy in action

Seamless

Frictionless digital journeys

Deliver growth and efficiencies through digitally enabled customer and partner journeys.

99%

inbound loan requests received online

A new loan granted every

15

seconds, 24 hours a day, 365 days a year

We constantly seek to identify where digital solutions can improve the customer and partner experience, and simplify our business. That means looking at end-to-end processes, from how our partners offer our product, to how our customers buy those products and how we service and support the entire journey.

We then focus on delivering customer journeys that are simple and effortless for all users, whether that's end-customer, partner or colleague.

Our journeys must meet the needs of the customer today and be easily adaptable as their needs change in the future. We are constantly listening to our partners to make sure our solutions align with their strategic direction. Through continuous feedback, we evolve together to ensure we meet the needs of customers.

"We are delivering growth and efficiencies through digitally enabled journeys, simplification and further automation."

Jon Howells,
Chief Commercial Officer

Strategy in action

Sharp

Actionable insights

Generate income and improve margins through the effective management of customer, partner and performance data.

2.1m
customers

3,000
partners

We have accumulated a considerable amount of data, which we can examine through various lenses for many different uses. This strategic objective is about ensuring that we acquire, store, catalogue, manage, access, control, and use that data to the best of our abilities.

To that end, we are building the right capability internally, both people and technology, to enable us to understand and manage our data in support of our strategy. We are confident that this investment will lead to both future income growth, and operational efficiencies as we begin to utilise our data in even more powerful ways.

> "We are significantly stepping up the use of customer, partner and performance data to drive action, generate income and further improve margins."
>
> Andrew Chapman,
> Chief Financial Officer

Strategy in action

Nimble

Flexible operating model

Improve customer and partner experience by creating the best team, processes and capabilities.

25m
direct debits each year

78%
Staff engagement score (2019: 55%)

"We are designing and developing an operational framework that best represents how we run the business to deliver our strategy."
Josie Pileio,
Chief Operations and People Officer

We are passionate about our community of customers and partners and their experience with Premium Credit. We are working to ensure we have the right processes in place to service them, aiming to remove any inefficiencies from our current processes to further improve the experience.

We will also ensure we continue to have the right skills, structure and capabilities to deliver new processes. This will not only include further investment in technology, but also training and upskilling our colleagues so they can support our evolving business.

Key performance indicators

Our progress is tracked through a number of financial and non-financial Key Performance Indicators (KPIs)

KPI	Definition	Performance	
Total income	Net interest income (£97.7 million) plus fee income (£16.9 million) minus commission expense (£4.0 million)	Our Total income has continued to grow, as a result of increased origination and slightly improved interest margins.	'20 £110.6 '19 £108.1 '18 £104.8
Total income margin	Total income (£110.6 million) / Average funded receivables (£997 million)	Our Total Income margin growth reflects Total income increasing faster than our funded receivables balances. This is notably due to slightly improved interest margins.	'20 11.1% '19 11.0% '18 10.9%
Risk adjusted income	Total income (£110.6 million) minus Net credit losses (£6.4 million)	The continued improvement in our Risk-adjusted income reflects an increase in Total income combined with a strong credit performance. In 2020 despite challenging economic environment, disciplined underwriting ensured Net credit losses of £6.4 million remained in line with the previous year (2019: £5.9 million).	'20 £104.2m '19 £102.2m '18 £97.4m
EBITDA	Profit for the year before taxation, interest payable and similar charges (other than interest expense of our Securitisation Programme), depreciation and amortisation (aside from the amortisation of any fees of our Securitisation Programme), certain transaction costs, certain one-time investments in the business, and other non-operating costs including restructuring costs. See reconciliation table to our Operating profit on page 21.	With our Total income increasing in 2020, the year-on-year movement in EBITDA was driven primarily by a prudent increase in credit loss provisions in response to the potential economic impacts of COVID-19, rather than by effective credit losses.	'20 £65.1m '19 £67.1m '18 £60.6m
Loan loss ratio	Net credit losses for the year (£6.4 million) / Amount of loans originated over the year (£3.6 billion)	Despite the challenging economic environment, the credit quality of the loan book remains strong. This is driven by the several layers of credit protection embedded in the majority of our products: mandatory or critical nature of the insurance or service we finance, where the insurance policy or service can be cancelled or revoked if repayments are not honoured; recourse to the intermediary partner, the underlying insurer or the service partner in the event the customer does not pay; short duration of our loans allowing for a rapid impact of changes in our credit underwriting rules.	'20 0.18% '19 0.17% '18 0.22%
Amount of loans originated	Total value of loans granted over the year, net of cancellations and mid-term adjustments.	Our origination grew by 1.9% despite certain sectors being impacted, driven by the mandatory nature of insurance premium finance, and an increasing penetration of our products with our partners.	'20 £3,587m '19 £3,520m '18 £3,376m
Average funded receivables	The average principal balance of loans that had been originated and disbursed to our partners (the 'outstanding funded principal balance') over the year.	Our receivables' book continued to grow in line with the growth in loan origination.	'20 £997m '19 £986m '18 £962m
Securitisation Programme size and utilisation	The total amount of funding available at year-end through our Securitisation Programme, and amount utilised at that date.	We have increased the size of our Securitisation Programme to facilitate both growth in the loan book and repayment of maturing instruments. We notably accessed the Public ABS market in 2020, issuing our largest transaction to date.	'20 (66% drawn) £1,448m '19 (71% drawn) £1,392m '18 (90% drawn) £1,085m
Employee engagement	Results of our engagement surveys. Percentage of respondents that answered 'agree' and 'strongly agree' to engagement questions.	We saw a significant increase in engagement in 2020, with colleagues emphasising support from their managers and team, good communication from the executive team, and clarity about their roles and responsibilities.	'20 78 '19 55 '18 45
Customer complaints	Reportable customer complaints per 100,000 loans written. This is supplemented by the total number of reportable complaints made to the Financial Ombudsman (FOS).	The uplift in 2019 followed a change in our internal complaint process in line with FCA requirements to also manage producer referrals. Regular interactions with FOS to understand their approach has resulted in a reduction of both the numbers of complaints referred to FOS and of those upheld by FOS in favour of customers (two upheld in 2020, four in 2019).	20 / 19 / 18 Customer complaints: 336 / 342 / 199 FOS: 33 / 46 / 41
Trustpilot score	An overall measurement of customer satisfaction based on reviews received on Trustpilot.com, based on time span, frequency and Bayesian average of the reviews.	Our customer satisfaction level reflects the critical nature of our products for our customers, the efficient customer onboarding journey, and our strong compliance culture. We started using Trustpilot in 2020, and as a result previous years' comparables are not available.	Reviews 18,264 • Excellent 4.6

Financial review

2020 was a strong year for the business. Despite the extraordinarily challenging economic environment we increased the value of loans originated by 1.9%, reflecting notably easier origination journeys as a result of technology investments in recent years.

Net interest income grew by 3.8% as we successfully maintained our margins on the higher origination amount. We increased our fee income through the introduction of a new facility fee on certain products. This was offset by lower missed payment fees caused partially by the strong credit performance of the loan portfolio, and partially by our proactive waiving of fees for those customers experiencing financial difficulties. As a result, our Total income grew by 2.3% to £110.6 million (2019: £108.1 million).

Our credit performance remained very strong also, with net credit losses only being £0.5 million higher than in the previous year. Our IFRS9 provisions have increased by £1.2 million, driven by uncertainty on the continuation of government support schemes, while in 2019 the Company had benefited from a £1.1 million release.

Finally, our administrative expenses decreased by 13.7% (8% excluding foreign currency gains / (losses)), reflecting the strong scalability of our operating model as a result of significant technology investment made over recent years.

These factors led to a Profit before tax for 2020 of £46.3 million (2019: £36.1 million) and an EBITDA of £65.1 million (2019: £67.1 million).

	Year ended 31 Dec 2020 £m	Year ended 31 Dec 2019 £m	Change £m	Change %
Amount of loans originated	**3,587**	3,520	67	1.9%
Net interest income	**97.7**	94.1	3.6	3.8%
Fee income	**16.9**	17.8	(0.9)	(4.9)%
Total income	**110.6**	108.1	2.5	2.3%
Administrative expenses	**63.0**	72.9	(10.0)	(13.7)%
Amounts written off on loans to customers	**6.4**	5.9	0.5	8.5%
Increase (decrease) of impairment provisions on loans to customers	**1.2**	(1.1)	2.3	n/a
Operating profit	**46.4**	36.3	10.1	27.8%
EBITDA[1]	**65.1**	67.1	(2.0)	(2.9)%

1. EBITDA is a profit measurement which is not specifically defined under or presented in accordance with IFRS, or any other generally accepted accounting principles and that excludes certain non-cash items, non-recurring costs, foreign exchange gains/losses, tax and interest, other than the interest costs incurred as part of our Securitisation Programme. See EBITDA reconciliation table to our Operating profit on the next page.

Loans originated

The amount of loans originated grew by 1.9% to £3.6 billion (2019: £3.5 billion), led by our insurance premium finance products which grew by 6.1%. The growth reflects the essential nature of much of our lending, the increasing penetration of our products with both our established and our new partners, smoother origination journeys as a result of recent years' investment in technology, together with the countercyclical nature of our business.

Certain sectors within insurance premium finance were however impacted by the reduction in economic activity in 2020 related to COVID-19: motor insurance, as a result of the closure of car showrooms and the suspension of driving tests; travel insurance as a result of a sharp decrease in foreign travel; and dentists' liability cover, as a result of fewer customer appointments being available.

Net Advances in our specialist lending products decreased in 2020, mostly driven by a temporary reduction in demand for tax products given COVID-19 support packages and deferrals granted by the government. Some leisure and school fees products were also affected in the first half of the year as lockdowns took place, but recovered in the second half. Our FCA fees products have seen growth compared to last year.

Net interest income

This comprises interest earned on our loans to customers less interest payable on our funding. Net interest income grew by 3.8% to £97.7 million (2019: £94.1 million), through slightly higher margins earned on higher average receivables balances during the year: Interest income decreased by £1.3 million to £113.1 million (2019: £114.4 million) while interest expense decreased by £4.9 million to £15.4 million (2019: £20.4 million).

Fee income

Fee income includes upfront facility fees, missed payment fees and chaser fees for unsigned contracts, which are categorised as 'cost recovery'. Our fee income was 4.9% lower than the previous year, mainly due to a decrease in missed payment fees to £8 million (2019: £11 million); this decrease reflects both the strong credit performance of our loan portfolio, and our proactive approach in waiving missed payment fees for those customers subject to temporary financial difficulties.

The decrease in missed payment fees was partially offset by a new facility fee charged on certain products at inception of the loan, which is designed to compensate for the increased regulatory cost of onboarding and monitoring borrowers. The rollout of that facility fee commenced in 2019 and was still ongoing at the end of 2020.

Administrative expenses

Administration expenses decreased by £10 million or (14)% year-on-year, of which non-cash foreign currency gains and losses represent £4.3 million.

Staff costs decreased by £1.6 million as a result of a reduction in the size of our Executive Committee, as well as certain vacancies remaining on hold as a result of the COVID-19 crisis.

IT-related expenditure decreased by £4.2 million reflecting a change in our delivery model following recent years' investments and an increased ability for front office departments to self-serve data.

The balance relates to a reduction in marketing and travel expenses, a release of certain accruals made in respect of debt restructuring and in respect of prior years' staff incentive schemes, offset by higher credit losses and one-off costs related to restructure of the Company.

Credit losses and provisions

Aside from the mandatory or critical nature of the products we finance, the short weighted average remaining life of the loan book (3.3 months at year-end) allows for a rapid impact of changes in our credit underwriting rules. This was evidenced in the write offs on loans to customers, net of recoveries, which amounted to £6.4 million (2019: £5.9 million), despite the extraordinarily challenging economic environment.

Our IFRS9 impairment provisions have increased by £1.2 million to £6.5 million, while in 2019 we had benefited from a £1.1 million release.

EBITDA

Our 2020 EBITDA was £65.1 million (2019: £67.1 million). The difference of £2.0 million mostly relates to conservative changes in credit provisions (£2.3 million between year-ends).

The table below reconciles our Profit before tax to our EBITDA.

£m	**2020**	2019
Profit before tax	**46.3**	36.1
Depreciation and amortisation	7.0	7.9
New information technology investments	5.8	7.9
Write-off of Securitisation Programme fees	2.6	4.8
Restructuring costs	1.6	3.3
Foreign currency (gain)/loss	(1.5)	2.8
One-time COVID-19 related expenditure[1]	2.6	0.0
Sponsor fees	0.4	0.4
Other[2]	0.3	3.9
EBITDA[3]	**65.1**	67.1

1. Costs include the performance triggers amendments in our Securitisation Programme, and additional staff costs due to the COVID-19 pandemic.

2. For 2020, this represents mainly interest expense on facilities not required in the ordinary course of business (£0.7m) and losses on retirement of fixed assets (£0.5m), offset mainly by a release of accruals made in respect of prior years' staff incentive schemes (£1.1m). For 2019, this represents a revision of operating model costs (£1.0m), final costs relating to a cyber incident in 2018 (£0.7m), accruals relating to staff incentive schemes (£0.5m), finance charges relating to implementation of IFRS16 (£0.3m).

3. Definition of EBITDA
EBITDA represents profit for the year before taxation, interest payable and similar charges (other than interest expense of our Securitisation Programme), depreciation and amortisation (aside from the amortisation of any fees of our Securitisation Programme), certain transaction costs, one-time information technology initiatives and other non-operating costs including restructuring costs.

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 year or any other performance measures derived in accordance with IFRS. The Company may incur expenses similar to the adjustments in this calculation in the future and certain of these items could be considered recurring in nature. The presentation of EBITDA should not be construed as an inference that the Company's future results will be unaffected by unusual or non-recurring items. In evaluating EBITDA, the Company encourages you to evaluate each adjustment and the reasons it considers it appropriate as a method of supplemental analysis.

Cash

At 31 December 2020, the Company had a cash balance of £92.2 million, an increase of 69.0% from 2019 (£54.5 million).

The movement in the cash balance from the prior year is notably led by our decision to retain cash in the business to maximise its liquidity position given the challenging economic environment.

The Company made no dividend payment in 2020 (2019: £nil).

Loans to customers

Loans to customers have decreased by 0.9% to £1,432.3 million at 31 December 2020 (2019: £1,445.4 million). Those loans which had already been disbursed to our partners (the 'outstanding funded principal balance') as at 31 December 2020 amounted to £1,030.1 million (2019: £1,042.3 million), with the difference between the loans to customers and the outstanding funded principal balance representing payables due to our partners.

Funding

We obtain external funding through an unsecured revolving credit facility ('RCF'), and through a master trust securitisation programme (the 'Securitisation Programme').

The RCF is provided by a bank, for an amount of £7 million (2019: £7 million) of which £nil was drawn as at 31 December 2020 (2019: £nil). The RCF was renewed in September 2020 and matures in September 2021.

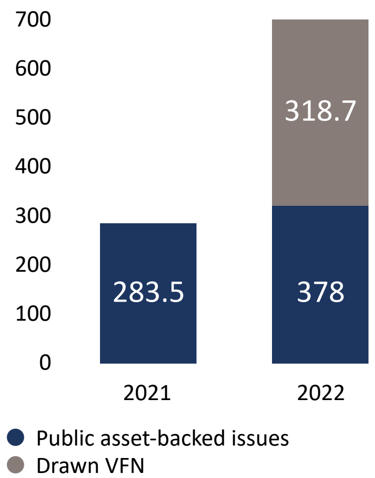
The Securitisation Programme is provided through an intercompany loan from PCL Asset Trustee Limited, a special purpose vehicle to which we assign the majority of the receivables we originate. PCL Asset Trustee Limited refinances itself through loans from standalone special purpose vehicles that issue either public asset-backed term notes on the capital markets or variable funding notes to a syndicate of banks. Our interest expense ultimately reflects the interest rates obtained by the various special purpose vehicles of the Securitisation Programme.

The Securitisation Programme comprises two series of public asset-backed securities, one issued in November 2017 for £283.5 million with a reinvestment period end-date of June 2021, and one issued in October 2020 for £378 million with a reinvestment period end-date of September 2022, as well as a £826 million variable funding notes facility (the 'VFN') with a reinvestment period end-date of October 2022. The VFN was established in 2012 and has benefited from regular extensions or amendments; it was last amended in June 2020. The public asset-backed issues are rated by Moody's and DBRS, with 85% of the issuance rated Aaa/AAA.

In June 2020, certain performance triggers were amended both on the VFN and the then-outstanding asset-backed issues, with the assent of the VFN funders and the rating agencies. The amendments were intended to grant structural flexibility in the context of COVID-19, in order to accommodate potential fluctuations in performance.

The Securitisation Programme has a total size of £1,487.5 million (2019: £1,391.5 million). As at 31 December 2020, £980.2 million was drawn down (2019: £988.2 million). The undrawn portion of the Securitisation Programme of £507.3 million is available to fund growth in the business, and to refinance maturing public asset-backed securities series.

Debt maturity profile



In addition, £507.3m of undrawn VFN headroom is available to fund loan book growth and upcoming asset-backed maturities.

Risk management

Managing risk is a core aspect of our management and governance. By effectively identifying, measuring, monitoring, managing and reporting on all risks, we aim to maintain a balance between risk and potential reward that allows us to achieve our strategic objectives without exposing the Company to unacceptably high residual risks outside our overall risk appetite.

Risk appetite

Our appetite is to take appropriate but controlled risks to achieve our strategic and growth objectives, whilst maintaining our position as a safe and trusted financier of choice. Risk identification, data analysis, measurement and decision making are all used to allow us to manage our risks within acceptable limits.

Moderate risk positions may be accepted in some areas for a defined period in pursuit of attractive commercial opportunities, however, the Company has no appetite for higher risk positions and should they arise due to other circumstances, they must be managed back to within accepted limits in tightly defined timescales.

Our approach to risk management

Responsibilities surrounding risk management and internal control systems are designed to meet the needs of the size and complexity of the business. We believe a sound risk management framework, combined with a strong risk culture, effectively supports appropriate risk awareness, behaviours and judgements about risk taking across the Company. The overall objective of our risk management approach is to:

- establish clear roles, responsibilities and reporting lines;
- encourage a risk aware culture;
- incorporate risk management into strategic planning, projects and operations;
- define the framework for identifying, measuring, monitoring and reporting significant risks across Premium Credit;
- monitor the effectiveness of controls and adherence to policies and procedures;
- seeking independent assurance on the effectiveness of controls; and
- determine the boundaries for business risk taking.

Risk management framework

The Company's enterprise risk management framework provides the structure by which our principal risks are managed. It ensures our risk management, strategy and governance are aligned; that the business operates within a clearly defined and understood risk appetite and capacity; that robust systems, controls and reporting are in place to manage risk effectively; and that appropriate corporate governance structures are in place to support risk management.

Governance and oversight

Board and Committees

- Approve and oversee strategy execution
- Top-down risk identification and assessment, and review of stress-testing
- Strategy development process including assessment of key risks and mitigants
- Set Premium Credit's risk appetite
- Review risk out of appetite or tolerance

Strategic alignment

Executive management

- Establish and execute Premium Credit strategy
- Identification of strategic risks and mitigation plans
- Assurance, oversight and monitoring of risks, processes and controls
- Top-down reviews

Functional assessment

Business unit functional heads

- Bottom-up reviews
- Translation of strategic objectives and regulatory requirements into operational plans
- Identification of functional risks and mitigation plans
- Monitor performance and compliance against key objectives and regulatory requirement

Our three lines model

We operate a classic three lines approach in managing the risks that the business faces, including credit risk.

	First Line: Operational Management	Second Line: Governance, Challenge and Risk Control	Third Line: Independent Assurance
Responsible parties	• All Business Units including: – Underwriting – Counterparty Risk – Collections and Recoveries Department	• Risk control is independent from the business functions, led by the Chief Risk Officer • Board Audit, Risk and Compliance Committee • Head of Compliance • Head of Legal & Company Secretary • Credit & Counterparty Risk • Compliance	• Internal Audit (outsourced) • External Audit • AUP procedures
Responsibilities	• Promote strong risk culture • Owns risk management processes • Implements controls • Day to day risk management	• Develops central policies and standards • Develops risk management processes and controls • Monitors and reports on risk • Reviews and challenges the first line	• Provides independent and objective challenge • Validates processes in risk management processes • Provides assurance over the effectiveness of the risk management controls and processes

Underwriting

Our underwriting philosophy combines sophisticated individual credit assessments and the automated efficiencies of a scored decision-making process. Information on each applicant is combined with credit reference agency data to provide a complete credit picture of the applicant and the borrowing requested. Key information is validated through a combination of documentation and statistical data which collectively provides evidence of the applicant's ability and willingness to pay the amount contracted under the loan agreement. In assessing credit risk, even where we have the benefit of contract refundability or recourse against our intermediary partner, the applicant's ability and propensity to repay the loan remain the principal factors in the decision to lend.

Emerging risk

We have a dynamic approach to monitoring regulatory change, industry trends and other external factors that ensure we have a clear view of any emerging risks. We also maintain risk registers based on both bottom-up and top-down input to ensure we consider all granular risks alongside larger strategic and operational risks.

COVID-19

Like many organisations, pandemic risks were on our risk registers and on our radar, although they were understandably considered to have a relatively low likelihood of occurring. Importantly, operational resilience has been a key area of focus for us over recent years and we were able to manage our response to the COVID-19 outbreak with minimal impact on the business. We also have business continuity and incident management protocols that are regularly tested, with our ISO 22301 accreditation demonstrating that our management systems are prepared to protect against, reduce the likelihood of, and respond to and recover from disruptive incidents. With such plans in place, our response to the situation was able to be fast, efficient and seamless.

UK exit from the European Union

With a trade deal being agreed between the UK and the EU, we continue to monitor the potential impacts on our business and our key stakeholders. However, we have been preparing for the change for a number of years and are confident in our approach to analysing and reacting to regulatory change in general.

Climate change

Climate change and the risks this will create for the financial services sector is on our radar, with discussions at an early stage in terms of developing our approach to managing such climate-related financial risks.

Long-term viability

Though the COVID-19 pandemic has inevitably had an impact on our financial performance, the business has shown great preparation, control and resilience to unprecedented circumstances. Our seamless transition to an entirely new way of working, our robust performance and our close stakeholder relationships all demonstrate the strength and flexibility of the business and its people.

Our record of financial performance is also recognised by our funders, as demonstrated by the level of support they have shown during the year.

Principal risks and mitigation

The Company is exposed to a variety of risks through its day-to-day operations.

A summary of the risks and uncertainties which could prevent the achievement of our strategic objectives, of how we seek to mitigate those risks and the change in the perceived level of each risk in the last financial year is described below.

This analysis represents our risk position as presented to, and discussed by, the Audit, Risk and Compliance Committee as part of its ongoing monitoring of our risk profile.

This summary does not represent a complete statement of all potential risks and uncertainties we face, but rather those which we believe have the potential to have a significant impact on our financial performance and future prospects.

Key (shown post mitigation)

↑ Increase

↔ No change

↓ Decrease

Strategic Risk

Description	Mitigation	Risk direction
Business risk The Company is unable to maintain business volumes and/or margins in line with planned volumes and grow the customer and/or distribution base on an ongoing basis.	• We have a strong record of operating successfully in our chosen markets throughout our 32-year history, which we have achieved by continually improving our service proposition. • We maintain strong relationships with our partners, customers and software house integrators. • During COVID-19 our origination volume increased, with some minor changes between business lines, reflecting the robustness of our business model.	↔
Competition risk Additional competitors (directly or indirectly) enter the Company's chosen market areas, or the Company is unable to compete with the competition in a profitable manner.	• Our business model creates natural barriers to entry through scale, diversified distribution with term contracts, embedded technology solutions, our position at the forefront of the regulatory agenda, strong risk management and efficient funding. • Most of these also confer us credibility which is valued by intermediary partners when entering into contracts with us. • We are active in industry-wide groups that enable market trends to be identified and addressed. • We monitor competitors' products, pricing and positions to enable us to keep our own proposition under review.	↔

Financial and Market Risk

Description	Mitigation	Risk direction
Liquidity and funding risk Insufficient cash is available or generated from either assets or liabilities or outside sources to meet the Company's short-term financial requirements.	• The Company has a treasury function responsible for the day-to-day management of its liquidity and funding. • We produce and monitor a forecast of our short-term cash balances on a daily basis. • We maintain sufficient cash balances to cover operational needs, as well as cover for unexpected liquidity challenges stemming from the challenging economic environment. • We ensure sufficient headroom in our funding facilities, and manage their maturities conservatively. Most of the funding is provided by a Master Trust Securitisation Programme that provides access to public markets funding alongside a syndicate of bank funders. • A monthly Asset and Liability Committee ('ALCO') reviews the Company's liquidity and funding forecast, including through the use of stress tests, and reports to the Executive Risk Committee. • In 2020, we amended our main funding facilities (through PCL Asset Trustee Ltd), with the consent of our funding banks and the rating agencies, in order to retain structural flexibility in the changing context of the COVID-19 pandemic.	↔

Financial and Market Risk

Description	Mitigation	Risk direction
Interest rate risk Unfavourable interest rate movements affect Premium Credit's results in a disproportionate manner.	• The Company has the ability through contractual rate ratchets to reprice future lending in the event of interest rates increases above a contractual minimum. • The Company's asset backed funding facilities are variable rate facilities, which are either SONIA-linked, or LIBOR-linked with SONIA replacement language. • We calculate our interest rate exposure through the Interest Rate Gap measure, representing the rate sensitive assets minus the rate sensitive liabilities. The Interest Rate Gap is reviewed on a monthly basis at ALCO. • Our loans have short maturities that makes our results less sensitive to changes in interest rates.	↑
Foreign exchange risk Unfavourable FX movements affect Premium Credit's results in a disproportionate manner.	• The proportion of our loan book denominated in currencies other than Sterling is low. • The level of operations in Ireland in relation to the Company as a whole is such that the foreign exchange risk is deemed to be acceptable. • We continue to monitor the uncertainty around the UK's withdrawal from the European Union and its impact on our foreign exchange risk.	↔

Credit and Counterparty Risk

Description	Mitigation	Risk direction
Credit underwriting risk Financial loss arising from relevant parties failing to meet financial obligations to repay Premium Credit in accordance with agreed terms, or Premium Credit makes poor lending decisions.	• We have strong affordability risk assessment and underwriting policies in place setting out detailed criteria for lending. In addition, we have rigorous and robust collections and recovery processes in place to manage arrears. • The Credit Policy is regularly reviewed and updated, to further strengthen current processes and procedures within the credit risk function. • On a significant proportion of our products, the underlying policy or service is cancelled if the service is not paid for. In the event the customer does not pay, Premium Credit either has recourse to the intermediary partner, or Premium Credit can seek payment from the underlying insurer or service provider. • Faced with the various stages of the COVID-19 pandemic (lockdown, closures and openings, start and end of state support) or the UK's exit of the European Union, we have continuously and proactively updated our underwriting criteria. • Our loans have short maturities, which ensures any changes in underwriting criteria result in rapid impact on our loan book's performance. Since the onset of the COVID-19 pandemic, our book has been almost completely re-underwritten.	↑
Counterparty exposure risk Risks of financial loss arising from a counterparty failing, for whatever reason, to honour financial, operational or other obligations to the Company in accordance with agreed terms or requirements.	• We carry out due diligence on all intermediary partners with whom we enter into trading relationships. These include insurance brokers, distribution partners for our specialist lending products, as well as insurers. • Once a relationship is in place, we continuously monitor the financial, regulatory and trading performance of our partners. Our Credit Policy was reviewed and updated in 2020 to more proactively identify and mitigate counterparty risk. • Where advance commission payments are made to intermediary partners, these are subject to a modelling exercise to determine the level of financial risk that we are prepared to accept from any given partner. • For insurers, regular monitoring and evaluation of exposure and financial condition is undertaken, especially for unrated insurers. • The majority of our products benefit from several layers of protection, where the failure of a counterparty can be compensated by performance obligations of another. As an example, upon a default of a consumer we have recourse for the loan balance from the insurance intermediary partner – should that partner default as well, we would seek to recover its remaining value from the service provider	↔

Principal risks and mitigation continued

Regulatory and Legal Risk

Description	Mitigation	Risk direction
Regulatory infraction risk Failure to meet or comply with regulatory requirements and expectations beyond that of the risk appetite, or this is not managed in a controlled and proportionate manner.	• We have Risk, Compliance and Legal teams that review key emerging regulatory developments to assess the impact on our business. Expert third party advice is also sought where necessary. • We have an active outsourced internal audit function. • The Compliance team has developed a formal monitoring plan which is reviewed by the Executive Risk Committee and approved by the Board Risk Committee. • We have regular interaction with our regulators. • All colleagues are required to undertake regulatory compliance training.	⟷

Technology and Cyber Risk

Description	Mitigation	Risk direction
Technology risk Risk that Premium Credit does not maintain and invest in its core systems and infrastructure to ensure that they remain adequate and operate effectively for colleagues and other stakeholders.	• The management of Technology Risk continues to be an area of ongoing focus. • We are migrating from legacy IT platforms onto new infrastructure including cloud. • We continually make investment in development of systems, including IT project management, implementation planning and cyber-risk management.	⟷
Cyber risk Failure to maintain sufficient controls and measures to ensure cyber security. With our entire business working from home since March 2020, there is heightened cyber risk through the use of many different Wi-Fi networks and increased stress from the human and financial implications of the pandemic. The same challenges apply to third-party suppliers and vendors.	• To mitigate these risks, the business has implemented a new cyber security team that assesses risk around the clock, including increased risk caused by remote working. • We have continued to invest in cyber security in 2020, through new firewalls and transfer of an increased amount of data into cloud environments. • Ensuring that the staff continue to be 'cyber aware' is also a key element of our defence strategy, with a schedule of campaigns to drive behavioural change and response to external attacks. • We have a programme of third-party assurance for both the governance and the technical infrastructure of our cyber security. • We hold an insurance policy against cyber incidents.	↑

Operational Risk

Description	Mitigation	Risk direction
Process and controls risk Lack of adequate processes and controls to conduct our business, take remedial action where issues are identified in order to adhere to the risk management framework and the requirements of external stakeholders.	• We have developed risk management frameworks, systems and processes, including IT project management. • We continually review our risk management approach to intermediaries and outsourced partners to reflect the regulatory environment in which we operate. • Our Executive Committee and the firm's wider senior leadership team are engaged in reviewing the top risks on a quarterly basis; an assessment of the mitigants and their effectiveness is made both by the front office as well as our second line. • An annual internal audit review plan is undertaken across a number of critical risk-based areas to provide assurance and monitoring oversight.	⟷
Customer outcomes and conduct risk The risk of unfair treatment of and / or detriment to Premium Credit's customers due to inappropriate execution of business activities and processes, including the sale of unsuitable products.	• We have a suite of policies focused on the fair treatment of customers, including where they are vulnerable. • Our Executive Risk Committee receives details of all complaints and operational risk incidents that have affected customers, together with actions to address any unfairness. • 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 adverse impact on the customer is promptly remedied. • In 2020 we have implemented processes to identify vulnerable customers more easily, classify them more accurately into vulnerability categories and review them on a regular basis. • We have also improved the process and the speed of granting forbearance, and waived our missed payment fees in numerous circumstances.	⟷

Operating for the benefit of all stakeholders

The Board considers the needs and concerns of all stakeholders in its running of the Company. By seeking to understand the differing stakeholder interests and impacts through a proactive programme of engagement, the Directors ensure its decision-making is informed and that the development and delivery of our strategy leads to long-term sustainable success for Premium Credit.

This section articulates how the Directors have acted to promote the success of the Company for the benefit of its stakeholders. In meeting this responsibility during the year, the Directors have had regard, amongst other matters, to:

a. the likely consequences of any decisions in the long term;
b. the interests of the Company's employees;
c. the need to foster the Company's business relationships with partners, customers, suppliers and others;
d. the impact of the Company's operations on the community and environment;
e the Company's reputation for high standards of business conduct; and
f. the need to act fairly as between members of the Company.

Stakeholders	How we engage	Their material issues
Colleagues We are committed to creating a high-performance culture in which colleagues are accountable for their work whilst feeling engaged and empowered to deliver on their objectives.	• Wellbeing and Working from Home survey • Annual engagement survey • Performance evaluations • Regular team meetings, including CEO and Executive Committee Q&A sessions	• Health, safety and wellbeing • Training and development opportunities • Career progression and recognition • Compensation and incentives • Company culture and reputation
Customers We serve over two million retail, SME and corporate clients. Our ability to assist them in spreading the cost of essential products such as insurance over instalment is vital, and we want to do so in a responsible and compliant way.	• Customer feedback mechanisms (Trustpilot, satisfaction surveys) • Dedicated complaints team within our contact centre • Mechanics to support customers with financial difficulties	• Seamless and easy products and solutions • Suitable products with clear information • Additional help and support where necessary • Customer service
Partners We have a diversified network of over 3,000 partners. These relationships are crucial because they provide access to our end-customers.	• Regular performance meetings • Provision of insights and analytics • Developing sales and marketing strategies together • Internal training	• Seamless and easy products and solutions for their customers • Building long-term partnerships
Shareholders The Board regards effective communication with shareholders as crucial to understanding and meeting their needs and expectations.	• Attendance at Board meetings • One-to-one meetings • Monthly performance reporting – both financial and non-financial	• Financial and operational performance • Long-term growth • Business model and strategy • Capital allocation • Dividends • ESG
Investors We regularly issue asset-backed securities, our investors expect an appropriate return on investment.	• Monthly securitisation investor reporting • Deal and non-deal roadshows	• Return on investment • Timely reporting • Regular issuance • ESG
Regulators The Company works actively with our regulators as well as industry bodies and other relevant stakeholders to ensure our services remain at the forefront of compliance.	• Regular, open and transparent reporting • Proactive engagement • Membership of industry bodies to ensure participation in industry-wide discussions	• Compliance • Financial security • IT and operational resilience
Community We recognise that our actions have an impact beyond our immediate stakeholders and understand our responsibilities to society and our local communities.	• Partnership with Insurance United Against Dementia • Reduce the amount of material that is printed • Internal 'Team Premium' acting as ambassadors for our values and our community	• Charitable and community support • Environmental impact

Responsible business

Premium Credit believes in a responsible approach to business. This means living our purpose and values, behaving responsibly and ethically, working with our employees, partners and customers to build lasting relationships, and demonstrating to all our stakeholders that we understand the impacts of our operations and the decisions we make.

This year we have reassessed our responsible business efforts, reforming a new Corporate Social Responsibility ('CSR') Committee, with particular focus on core areas, namely People and Culture, Community and Environment as well as Governance and Ethics. An initial benchmarking assessment of the Environmental, Governance and Ethics performance was made using the Ecovadis system as a basis for measure, with actions underway to further improve.

A cultural dashboard to better monitor, measure and report on our collective efforts against the focus areas of our CSR strategy, has been developed and will help improve our performance and ensure a sustainable, long-term future for the Company.

Alongside the work to update our purpose and strategy this year, we also looked at our existing values to ensure they were aligned with what we are and how we operate. Following a full engagement process with each of our team members, over a three-month period, we sought to understand the behaviours and attitudes that were most important to colleagues and how they should be captured and communicated. This resulted in the development of four new values:

Key highlights
- Customer satisfaction at record levels
- Colleague engagement score at 78%, an all-time high and up 23 percentage points year on year
- Colleague engagement survey response rate up 13 percentage points to 93%, another record high
- Absenteeism lowest in five years

Priorities for 2021
- Embed purpose and values
- Deploy competency model into our people leadership framework
- Plan and test a blended future office/at home working model
- Roll out of 'future leaders' programme to better support leadership in a remote environment

Going forward, these values will form a key part of our people leadership framework and will be used in performance appraisals, in our development platform and in recruitment. Read more about the people leadership framework on page 32.

Our cultural dashboard

In 2020 we established a cultural dashboard to better understand and measure our responsible business performance. This allows us to assess the actions of our leadership and colleagues, and how we are performing against our purpose, vision and values and the focus areas of our CSR strategy. Compiled and monitored at an executive level, it is also presented to the Board on a quarterly basis.

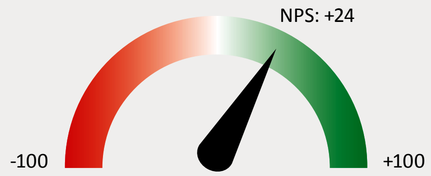
The dashboard is focused on four areas of performance:

Customer and partner sentiment

What our customers and partners say and feel about Premium Credit and how we compare with our peer competitors.

What we've done in 2020
- Established a Trustpilot programme
- Net Promoter Score ('NPS') relaunch
- Improved ongoing customer and partner satisfaction surveys ('CSAT' and 'PSAT') and optimised the use of the resultant data – including a new deep dive on customers' complaints

Key metrics
- CSAT: 85% (target: 80%)
- Trustpilot score: 4.6/5 (target: 4.5)
- NPS: +24 (2019: +9)



Colleague sentiment

What our colleagues, both past and present, think about working for Premium Credit and the culture we espouse.

What we've done in 2020
- Completed annual engagement survey
- Conducted extra pulse surveys for measuring colleague wellbeing and working from home during COVID-19
- New analysis of absenteeism and employee turnover
- Initiated use of Glassdoor metrics, with staff encouraged to write a review
- New productivity dashboards

Key metrics
- Annual engagement survey results
  - Response rate – 93% (2019: 80%)
  - Engagement score – 78% (2019: 55%)
- Wellbeing and Working from Home survey results
  - 85% response rate, with 358 colleagues completing the survey
  - 97% agreed or strongly agreed that they were satisfied with the support received
  - 97% agreed or strongly agreed that they received regular and helpful comms
  - 80% said interaction with their own team was the same or improved
  - Glassdoor score: 4.3 (target: 4.0)
  - Employee turnover – 14.4% (2019: 23.0%)

Societal sentiment

How we are perceived in the wider community and what impact our culture has on the environment and the role we play in our business dealings

What we've done in 2020
- Corporate Social Responsibility (CSR) Committee reformed
- Initial benchmarking assessment of the key areas of our CSR performance, with actions underway to further improve
- Engaged with ESOS (Energy Savings Opportunities Scheme) to measure where we are with sustainability and get an external perspective
- Formed a diversity and inclusion council to drive initiatives in this area

Key metrics
- CSR performance score: Bronze sustainability rating

Organisational temperature

How the organisation is performing – do our actions match our words and does our ownership of these deliver the right outcomes for our customers, colleagues and partners?

What we've done in 2020
- Carried out our stakeholder engagement programme
- Reviewed actions points from our external audit partner
- Ongoing mandatory training as part of our learning management system
- Delivered annual performance reviews

Key metrics
- Compliance training completion 100% (2019: 100%)
- Performance review completion rate 100% (2019: 100%)

People and culture

Our successful response to the COVID-19 pandemic was reliant on the skills and dedication of our people and the culture of collaboration and support we have fostered. Both remain central to our ability to deliver on our purpose, our strategy and our growth ambitions as we move towards a post-COVID world.

Ensuring the health and wellbeing of our people was central to the actions we took this year. The development of the cultural dashboard will improve our understanding of colleague productivity, performance and sentiment going forwards, and we have also refreshed our CSR Committee with better representation from across the business and new terms of reference. It meets regularly to contribute to our people and culture policies, initiatives and activities.

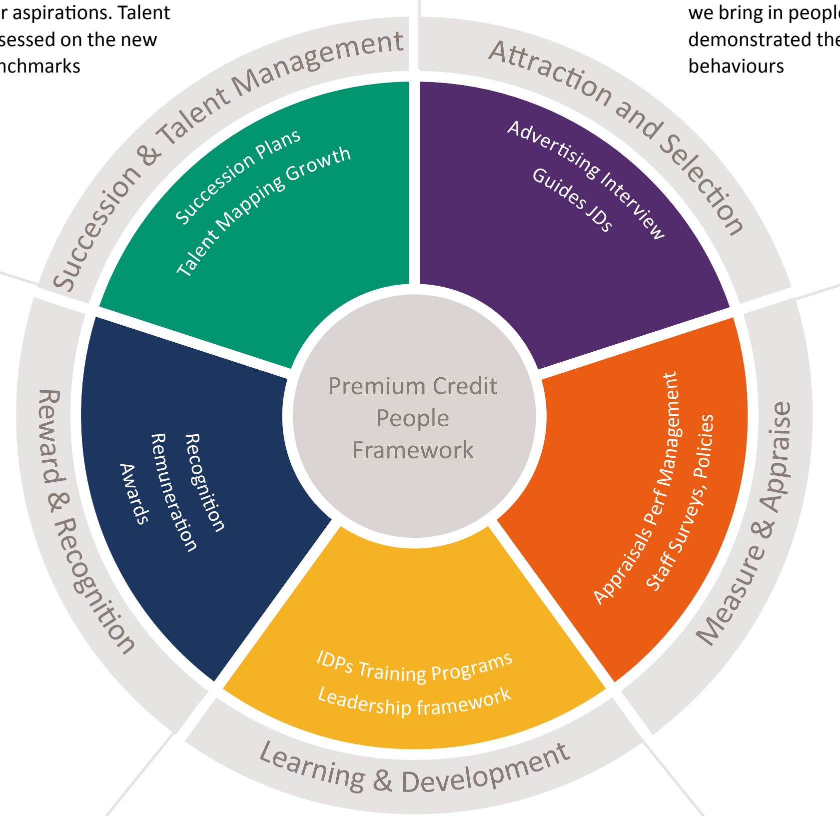
With very positive sentiment towards the working from home model that became necessary in 2020, plans are already developing for a long-term model, and we remain committed to providing the right working environment for our people to perform to the best of their abilities.

People framework

To deliver on our previous strategic priority of embedding a high-performance culture framework, we have developed a competency framework that will enable us to achieve our objectives by aligning performance and behaviours to our purpose, values and core strategic outcomes.

Clear leadership competencies help manage career aspirations. Talent potential is assessed on the new leadership benchmarks

Our recruitment process ensures we bring in people who have demonstrated the desired values and behaviours



All of Premium Credit's reward and recognition programmes align to our values, rules, and competencies framework and accurately reward and recognise performance

It is just as important to demonstrate HOW objectives have been met, as it is to demonstrate WHAT has been achieved

Our L&D framework encompasses the best blend of learning to ensure all of our people can continue to build capabilities for current and future roles

Wellbeing

Colleague wellbeing became a key priority with our teams working from home for the first time. We wanted everyone to feel connected and supported, particularly anyone living alone or shielding due to the virus. To achieve this, we implemented a wellbeing and communications strategy including regular leadership updates, one-to-one calls with HR and an online forum to allow colleagues to connect and participate in games and activities such as yoga classes, cooking classes and competitions. We also offered counselling support through our employee benefits platform. We saw a high take up of these wellbeing initiatives and 97% of survey respondents agreed or strongly agreed that they were satisfied with the support received.

Training and development

We approach training and development with the desire for people to understand their natural strengths and preferred ways of working and to have the tools to increase their personal awareness and improve team effectiveness. We want to build resilience throughout the Company, equipping people with the knowledge and skills to move forward during challenging times.

Our established learning management system and online training platform were both very successful in maintaining delivery of all compliance training in 2020 despite the impact of the pandemic.

In response to COVID-19 and the new ways of working that have been established, we have created a robust future leaders programme with the aim of bringing leadership skills to all levels of the business. It will formalise the passing of knowledge and encourage colleagues to take ownership of their own development. This will be launched in 2021.

Recruitment and retention

We are committed to attracting and retaining the best talent in order to achieve our strategic objectives, and our new competency framework will help with that going forward. Retention rates have been strong this year, with average employee turnover down to 14.4%. With good retention and the ongoing pandemic drawing focus, recruitment in 2020 has been minimal, but a potential change in our working model in the future may give us the ability to focus on skills and talent beyond geographical constraints.

Diversity and inclusion

Premium Credit is committed to promoting equality and our policies and processes follow best practice on equal opportunities for all employees. Decisions about recruitment, selection, training, promotion or any other aspect relating to a person's employment with the Company are made regardless of gender, sexual orientation, disability, marital status, age, race, religious or political beliefs.

We give 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.

This year we formed a new diversity and inclusion council with representatives from across the Company to manage and drive our diversity and inclusion programme. We also used the engagement survey to gather more demographic information in order to inform our actions and goals going forward. Initiatives to date include setting up a new diversity and inclusion forum.

Composition of the workforce

We had 378 employees working in the UK and Ireland (excluding Chair and Non-Executive Directors) at the end of the year. The below table shows the gender diversity at that time.

	2020		2019	
	Men	Women	Men	Women
Board	**87%**	**13%**	90%	10%
Senior Management	**82%**	**18%**	79%	21%
Other employees	**50%**	**50%**	53%	47%

Gender pay gap

The Company has calculated its gender pay gap as at April 2020. The table below shows the overall mean and median gender pay gap based on hourly rates of pay at the snapshot date. It also captures the mean and median difference between bonuses paid to men and women in the year up to 5 April 2020.

	Difference between men and women (Mean)		Difference between men and women (Median)	
	2020	2019	**2020**	2019
Hourly rate (this is a prescribed calculation based on fixed pay)	**30.8%**	41.5%	**36.5%**	41.9%
Bonus amount	**60.1%**	66.3%	**38.4%**	51.5%

We are pleased all four metrics have improved compared to 2019. Median gender pay gap for 2020 is 36.5%, down from 41.9% last year. This means that women earn an average of 36.5% less per hour (excluding overtime) than men, or in other words, the average female employee would earn 63.5p for every £1 earned by a male employee.

The underlying reason behind the gender pay gap is predominantly due to the lower representation of women in senior leadership positions and IT roles within the business. The bonus gap is also affected by lower representation of women in sales roles. The Company is confident that it does not have any processes or practices which would see people being paid differently due to their gender.

The Company pays equal pay for equal work and therefore addressing the gender pay gap is about increasing the proportion of women in more highly paid roles.

Average tenure of employees

The average tenure of employees measures the average length of service across the workforce. We are pleased to report that the average tenure in 2020 was 7.0 years (2019: 6.2 years). There is a good mix of employees with long tenure, and therefore Company experience, and newer colleagues who bring external skills to the Company.

Community and environment

Our society and community efforts during the year were largely focused on supporting consumers and businesses facing the economic impacts of the pandemic.

However, the refreshed CSR Committee continued to meet regularly to discuss initiatives and to identify opportunities for the Company to deliver economic, social and environmental benefits.

Corporate charity partner
One of our 2020 commitments was to source a new corporate charity partner and early in the year we chose Insurance United Against Dementia ('IUAD'), an Alzheimer's Society movement created and championed by leaders from across the insurance sector. As well as an initial corporate donation to provide immediate support to people living with dementia during the pandemic, colleagues also contributed to the campaign through ongoing fundraising, creating awareness and volunteering to assist those affected by the condition.

During 2020 we also held regular remote fundraising events, with funds donated to a local hospital and other COVID-impacted charities.

Environmental
During 2020 we increased the monitoring of our environmental impact as part of our cultural dashboard, seeking to improve our processes and reduce our carbon footprint.

We carried out an initial benchmarking assessment of the key areas of impact, and initiated actions to address weaknesses around documentation, reporting and measures.

We also engaged with ESOS (Energy Savings Opportunities Scheme) to measure where we are and get an external perspective. We are looking at how to increase use of electric vehicles for our colleagues on the road, and how to improve the efficiency of our offices once we return to them.

The table below shows our assessment of greenhouse gas emissions using the 'GHG Reporting Protocol – A Corporate Accounting and Reporting Standard' and in accordance with Defra's 'Environmental Reporting guidelines: including Streamlined Energy and Carbon Reporting requirements'. This covers Premium Credit's UK emissions. 2020 was the first year of SECR reporting and as such we do not have comparatives.

Over the course of 2020, Premium Credit's operations have seen a reduction in energy use due to reduced occupancy in the offices from March 2020 onwards. This primarily reflects our adherence to government-mandated restrictions under its response to COVID-19 and that resulted in the remote working of nearly all staff and closure of the office for the majority of 2020. Whilst this has also prevented PCL undertaking any broader initiatives to reduce our energy consumption, in 2021 we plan to progress initiatives to enhance our approach to the management of our energy usage and in turn our GHG emissions.

	Premium Credit Limited	
	Energy (kWh)	Emissions (tCO2e)
Electricity	656,669	153.1
Gas and generator fuel	502,458	92.4
Transport fuel – Business travel in company cars or employee-owned vehicles where company is responsible for purchasing the fuel	221,059	54.8
Total	**1,380,186**	**300.3**
Intensity ratio: kWh and tCO_2e / sq. ft. occupied floor area	32.79	0.00714

Governance and ethics

The Company seeks to operate as a responsible employer, whose corporate values and policies enable us to conduct business in an honest, open and ethical manner.

To assist in reinforcing these governing principles, the Company has policies supportive of equal opportunities and diverse working environment, with a focus on the health, safety and wellbeing of employees. The Company categorically condemns all instances of bribery and corruption, harassment, bullying and discrimination.

Ethics and sustainable procurement are now being monitored as part of our Ecovadis dashboard. Initial benchmarking showed opportunities to address issues in the availability of our ethics and sustainable procurement policies, documentations and established measures in these areas.

Human rights
The Company respects human rights as defined under the European Convention on Human Rights. The Company published its latest statement on Modern Slavery during 2020 in accordance with the requirements of the Modern Slavery Act 2015. There have been no alleged breaches of the Modern Slavery Act during 2020. Labour and human rights are also now being monitored as part of our Ecovadis metric dashboard.

BRONZE 2020 ecovadis Sustainability Rating

Approval of Strategic Report
This section of the Annual Report comprises a Strategic Report for the Company, which has been drawn up and presented in accordance with, and in reliance upon, applicable English Company law, in particular Chapter 4A of the Companies Act 2006. The liabilities of the Directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

Approved by the Board on 26 April 2021 and signed on its behalf

Tara Waite
Chief Executive Officer

Board of Directors

Colin Keogh
Non-Executive Chairman

Chair of the Remuneration Committee

Colin Keogh joined the Board as Chair in 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. Since leaving Close Brothers, he has held a number of non-executive directorships in a wide range of sectors, including the London listed retail bank Virgin Money. Colin is currently on the Boards of the specialist insurer Hiscox Limited and investment management company Ninety One Plc. Colin holds an MA in Law from the University of Oxford and an MBA from INSEAD.

Tara Waite
Chief Executive Officer

Tara Waite became CEO in June 2019. She has over 20 years' experience in financial services in both UK and international roles. Most recently she was Group CEO of Wonga Group Ltd, an international consumer lending business operating in Europe and South Africa. Prior to leading the Company, she was CEO of its UK consumer lending business, guiding it through its turnaround and regulatory authorisation. Her former principal roles include Managing Director of RSA Insurance Group's UK SME and Delegated Authority business, CEO of RSA's market-leading business in Latvia, and management consultancy roles at Andersen and Ernst and Young. Tara is currently on the Boards of UK subsidiaries of Ageas. She holds a Bachelor's degree in Applied Physics from Trinity College Dublin, and a Master's degree in Applied Physics, and is also a visiting Fellow at Oxford University's Saïd Business School.

Andrew Chapman
Chief Financial Officer

Andrew Chapman joined Premium Credit in 2004 in the Financial Planning & Analysis team. In 2013, he started heading the Treasury & Investor Relations team, before being appointed as Chief Financial Officer in 2018. Andrew has had many achievements at Premium Credit, but a notable highlight was his role as business lead on its Securitisation Programme which won the prestigious IFR Award for EMEA Structured Finance deal of the year in 2017. He has worked for the last six years under ownership by private equity as a key member of the value creation team. Prior to joining Premium Credit, Andrew worked for Close Premium Finance for four years as Financial Controller. Andrew completed his training and qualified at RBS and he now holds FCCA status.

David Young
Non-Executive Director

Chair of the Audit, Risk and Compliance Committee

David Young joined Premium Credit as a Non-Executive Director in January 2016. 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 sectors, particularly regulated businesses and those owned by private equity. He is also a Non-Executive Director and Audit Committee chair of Watchstone Group Plc, Key Group, 7im and other private companies. David is both a Chartered Accountant and a Chartered Tax Adviser.

Simon Moran
Non-Executive Director

Simon Moran was appointed a Non-Executive Director of Premium Credit Ltd in 2019. He joined Premium Credit in 1998 as Sales & Marketing Director, before being appointed Chief Sales & Marketing Officer in 2005. Previously, Simon was Sales & Marketing Director of Transamerica Insurance Finance Company (TIFCO), establishing the model for commercial premium finance in the UK.

Peter Catterall
Investor Director

Peter Catterall joined Cinven Partners LLP ('Cinven') in 1997 and is a partner and a member of the UK and Ireland regional team. He has been involved in numerous transactions at Cinven, including with Partnership Assurance Group plc, Guardian Financial Services, Avolon Aerospace Leasing Limited and the Gondola Group Limited. Peter has a degree in Chemistry from Exeter University.

Maxim Crewe
Investor Director

Maxim Crewe joined Cinven in 2006 and is a partner leading the Consumer sector team. He is also a member of the UK and Ireland regional team. He has been involved in a number of transactions, including Allegro, Kurt Geiger, NewDay, Partner in Pet Food and Planasa. 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
Investor Director

Anthony Santospirito joined Cinven in 2011 and is a member of the Healthcare Sector team and the UK and Ireland regional team. Aside from Premium Credit, he has been involved in a number of investments, including Barentz, Bioclinica, CPA Global and Gondola. 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.

Executive Committee

Experts in consumer finance, insurance, technology, regulation and funding

Tara Waite
Chief Executive Officer

See the Board of Directors on page 36 for Tara's biography.

Andrew Chapman
Chief Financial Officer

See the Board of Directors on page 37 for Andrew's biography.

Josie Pileio
Chief Operations and People Officer

Joined May 2019

Josie Pileio joined Premium Credit in June 2019 and is contributing to the achievement of commercial strategies through the development and implementation of effective solutions.

Josie brings extensive international experience and knowledge of strategic HR and business transformation gained over 20 years working in complex, fast paced and multi-site international organisations mainly within the retail sector, including Office Shoes, Target Australia and its APAC sourcing and supply chain division, and C&A Europe.

Owen Thomas
Chief Sales & Marketing Officer

Joined June 2019

Owen Thomas joined Premium Credit in June 2019 as Chief Sales & Marketing Officer.

His previous role was at RSA, where he led the strategy and engagement for global broker relationships worldwide, marketing and strategic account management across UK commercial lines and sales and distribution for the Global Risk Solutions P&L.

Jon Howells
Chief Commercial Officer IPF

Joined September 2019

Jon Howells joined Premium Credit in September 2019 as Chief Commercial Officer.

His previous role was at Close Brothers Premium Finance, where he was responsible for growth and strategy as the Commercial Director.

Jon brings with him a wealth of broking knowledge gained from senior positions at Hastings Direct, Premium Choice and Swinton.

Roger Brown
Chief Commercial Officer SL

Joined January 2013

Roger Brown was promoted to Chief Commercial Officer in July 2019, from his previous role of Commercial Director in May 2018, following six years as Head of New Markets. He has over 25 years' experience in insurance premium finance and broking.

Prior to joining Premium Credit, Roger worked for Capita where he was Finance Director for its General Insurance Division. Roger is a Fellow of the CGMA and has a background in fast growth innovative businesses. He has a strong history of achieving growth and supporting business start-ups in both broking and premium finance.

Duncan Gray
Chief Information Officer

Joined December 2017

Duncan Gray joined Premium Credit from BCA Marketplace plc in December 2017 to lead the transformation of our digital journey and enhanced capabilities for our partners and customers. Duncan is also tasked with maintaining the high availability of the IT service to our customers and enhancing the security and resilience of our infrastructure.

Duncan was CIO and part of the leadership team at BCA during its transition from private equity ownership to flotation on the London Stock Exchange.

James Wilson
Chief Risk Officer

Joined September 2019

James Wilson joined Premium Credit in October 2019 from TD Wealth International to lead our robust approach to risk, helping customers to flourish within our industry's legal and regulatory structure.

James brings extensive regulatory and risk experience and has operated at a senior level within various financial services organisations over the last 30 years.

Premium Credit benefits from an experienced management team with a through-the-cycle track record. The particular areas of expertise of each executive are highlighted with the following icons.

Consumer finance Insurance Technology Regulation Funding

Chairman's introduction

We keep abreast of the latest trends, guidance and research as part of our progressive governance approach.

Premium Credit has a robust framework and established principles that are aligned with the highest standards of corporate governance.

The Board, and its Committees, play a key role in providing the necessary direction, challenge and support to the business and ensuring that a culture of good governance exists throughout the Company.

We have a knowledgeable, engaged and committed Board, which operates with openness and honesty. Board members are expected to lead by example and demonstrate the highest standards of propriety, diligence and accountability. I'm satisfied that our Directors meet these requirements, and that they have the necessary experience and independence to oversee and challenge management where appropriate.

Due to the nature of our industry, the Board has a keen eye on business conduct and treating the customer fairly and properly. Beyond that, we recognise our responsibilities to all our stakeholders and the importance strong stakeholder engagement plays in the delivery of our purpose and strategy.

Our focus in 2020

The Board's focus for much of this year has been on the COVID-19 crisis. In response to this constantly changing situation, our activity increased to ensure appropriate oversight and control. The Board held weekly meetings and worked closely with the Executive team (the 'Executive Committee') to ensure that all actions taken prioritised the safety of our colleagues, and were aligned to the Company's purpose, strategic objectives and values.

The increased intensity and pace of Board activity this year demonstrated the effectiveness of our governance framework and our commitment to safeguarding and promoting the long-term success of the business for all stakeholders.

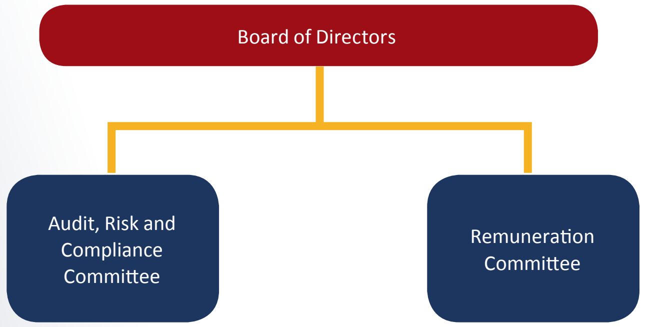
To ensure strong and robust corporate governance remains at the heart of everything we do, we conducted an effectiveness review of our Board and governance arrangements for the first time this year. This internal Board evaluation process will become an annual undertaking and the results will be presented to the Board.

Colin Keogh
Chairman

Our corporate governance

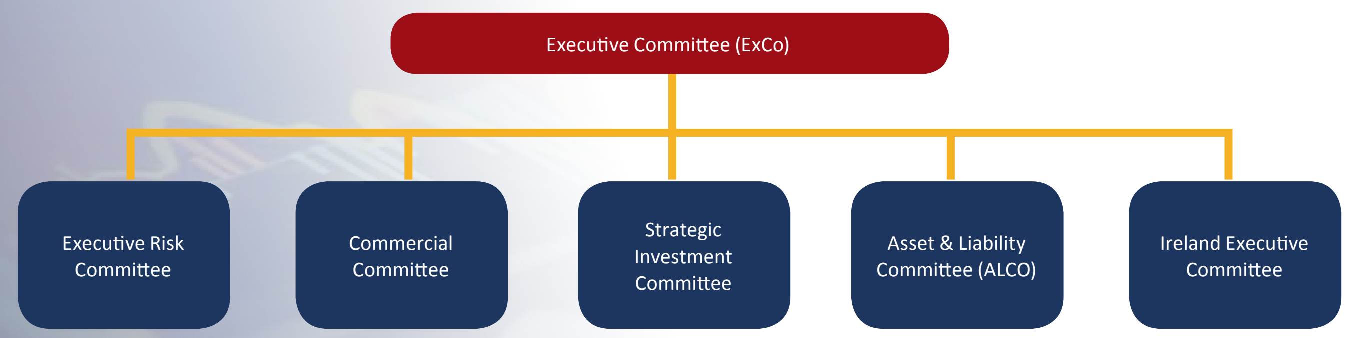
The Board has overall responsibility for setting the strategic direction of the business.

It has a formal schedule of matters reserved for its consideration and delegates all others to the CEO and the Executive Committee. It has created two sub-committees to satisfy itself on the integrity of financial reporting, that financial controls and systems of risk management are robust, support effective corporate governance, and discharge the wider range of responsibilities.



The Chief Executive Officer has established the Executive Committee and its sub-committees to assist in the management of the business, and to implement its strategic aims in an effective and controlled way. The Executive Committee provides general executive management of the business and facilitates cross-functional communication and liaison. The relevant Executive Committee member is accountable to the CEO and the Board for managing performance, the identification and mitigation of risk, and for the Company's strategy, long-term plan and annual budgets.

The structure of the sub-committees reporting to the Executive Committee is illustrated below, and further detail on each sub-committee can be found on page 43.



Our corporate governance continued

The Board
Premium Credit's Board meets at least four times during the course of the year and is responsible for determining the strategy and direction, as well as overseeing business performance.

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

In particular, in the course of the first UK and Irish lockdown starting in March 2020, the Board held weekly meetings to review the impact on the business as well as a range of stakeholders and take action where necessary.

The Audit, Risk and Compliance Committee
The Committee reviews and recommends financial statements to the Board for approval, monitors accounting policies and practices for compliance with relevant accounting standards, reviews significant judgements, assumptions and estimates in the preparation of financial statements, reviews the scope and results of the annual external audit, maintains a professional relationship with the external auditors and oversees the internal audit function and the internal audit programme.

It also oversees and challenges the Company's risk management framework, including its risk appetite, the monitoring of risk metrics and performance, the recommendation to the Board of any changes to risk appetite and the assessment of any future risks. The Committee also oversees the arrangements relating to regulatory compliance.

The Committee comprises David Young (Chair), Maxim Crewe, Anthony Santospirito, Colin Keogh and Simon Moran, all of whom are Non-Executive Directors. The Board is satisfied that all Committee members have recent and relevant financial experience. The Audit, Risk and Compliance Committee meets at least four times a year and has an agreed agenda linked to events in Premium Credit's financial calendar.

The Chairman normally invites to the meetings Executive Directors, representatives from its outsourced internal auditors, a partner or representative from the external auditors, as well as specialists attending for specific items or making presentations.

Significant matters addressed by the Committee
The Committee is a sub-committee of the Board and is responsible for reviewing, reporting its conclusions and making recommendations to the Board on a wide range of topics, in particular:

- The programme of audit work and relationship with the external auditors including auditors' independence;
- Review of the financial statements;
- The internal audit programme and the results of internal audit reviews;
- Areas of significant accounting judgement;
- Compliance with legislation, regulation and internal policy;
- The risk management framework deployed;
- The risk appetite;
- The lending portfolio and associated credit policy;
- Management of assets and liabilities, including liquidity and funding;
- The monitoring of liquidity, funding and loan covenant compliance;
- General controls over IT and other systems;
- Matters arising out of Premium Credit's operations; and
- Premium Credit's ethical and business standards.

The Committee has paid particular attention during the year to:

- The credit quality of the loan book and the appropriate level of IFRS9 provision at year end;
- The ability of the Company to withstand, detect and recover from threats to the security of information it holds; fraud and general financial crime risk, as well as compliance with the General Data Protection Regulation, particularly in the context of new working from home practices; and
- Proactive risk management through controls and risk registers.

Internal audit
The Committee considers and approves the remit and scope of this outsourced function and ensures that adequate resources and appropriate access to information are provided. The Committee considers the findings from completed internal audit reviews, and monitors progress against agreed actions arising from previous audits. During the year, the Committee considered and approved the Internal Audit plan based upon an assessment of key risks. Twelve audits were completed during the year.

External audit
The Committee is responsible for assessing the independence and effectiveness of the external auditors and making recommendations to the Board on reappointment. The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

Whistleblowing
The Company has an established framework which enables employees to speak in confidence to report items of concern ensuring that no employee making such disclosure will suffer any consequent disadvantage. The Chair of the Audit, Risk and Compliance Committee has ultimate responsibility for the whistleblowing framework.

Risk management
Risk-taking is an inherent part of any finance organisation and as a business Premium Credit aims to make profits by taking risks in a controlled manner. The Board has overall responsibility for determining Premium Credit's strategy and related risk appetite.

Risk management is a core aspect of the Company's management, both at strategic and operational levels. The overall objective is to provide an enterprise-wide view of risk management, such that Premium Credit identifies, measures, monitors, manages and reports all risks that could influence the Company in achieving its strategic objectives.

To support this, the Company has established a risk management framework and a formal governance structure to identify, monitor, manage and report on risks across its operations. The risk management framework is overseen by the Audit, Risk and Compliance Committee on behalf of the Board.

Our risk management framework, and the principal risks and mitigants, can be found on page 22 onwards.

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

The Committee comprises Colin Keogh (Chair), Peter Catterall, Maxim Crewe and David Young, all of whom are Non-Executive Directors. It meets twice during the year and has an agreed agenda linked to the events in the Company's financial calendar.

Significant matters addressed by the Committee
The Committee considered a number of topics, in particular:

- The Company's overall objectives and allocation of the Executive Committee's individual annual objectives and targets;
- The potential total bonus awards for the Annual Incentive Plan and Executive Incentive Plan, based on the achievement of annual objectives and targets, notably in terms of EBITDA;
- The review and approval of Executive, Senior Management and Sales team incentive schemes;
- The review of the Company's overall remuneration policy, reward and recognition schemes, Equity allocations and other reward matters.

Executive sub-committees
The Executive Committee has a number of sub-committees at its disposal to assist in the management of the business, and to implement its strategic aims in an effective and controlled way.

Executive Risk Committee
The Executive Risk Committee comprises all of the Executive Committee members and is attended by heads of the relevant functions. It is chaired by the Chief Risk Officer. The Committee is responsible for:

- Overseeing and monitoring operational risk management and compliance processes;
- Monitoring of counterparty and conduct risk presented by any trading partner of the Company and monitors conduct risk in relation to the achievement of fair outcomes for customers;
- Monitoring credit risk exposure and the management of overdue and impaired credit accounts;
- Making recommendations for credit risk appetite and continuously monitoring performance against guardrails;
- Considering key operational risk information such as loss events, emerging risks and control failures;
- Overseeing the maintenance of effective systems and controls to meet regulatory and conduct obligations, and for countering the risk posed to the Company by financial criminals; and
- Reviewing the quality, adequacy, resources, scope and nature of the compliance function, including the annual Compliance Monitoring Plan

Commercial Committee
The Commercial Committee is chaired by the Chief Financial Officer. The Committee has responsibility for the approval of ad hoc and significant size transactions falling outside of individual ExCo business line policy but within Directors' approval limits. The Committee also has the responsibility for setting the pricing model input metrics, approval of new producers in excess of £5 million) and cost recovery fee exceptions.

Strategic Investment Committee
The Strategic Investment Committee is chaired by the Chief Information Officer and is responsible for prioritising and monitoring the progress of the annual IT plan. The Committee also reviews monthly updates on the progress of all IT and Change portfolio projects.

Asset and Liability Committee ('ALCO')
The ALCO is chaired by the Chief Financial Officer. Its principal purpose is to identify, measure, control, monitor and review the financial risk management of the Company's balance sheet. It is responsible for monitoring all aspects of liquidity risk, funding risk and market risks, as well as the treasury policy and control framework.

Ireland Executive Committee
The Ireland Executive Committee is chaired by the Managing Director (Ireland) (Ger Shannon). The Committee is responsible for monitoring the sales, financial and operational performance of the Irish business.

Directors' report

The Directors of Premium Credit Limited ('Premium Credit' or the 'Company') present their Annual Report and financial statements for the year ended 31 December 2020.

Business review, results and dividends

The principal activity of the Company is the financing of insurance premiums and other services in the UK and Ireland. The Company is incorporated in England and Wales and domiciled in the United Kingdom, with registration number 02015200. The Company also operates through a branch in the Republic of Ireland.

Our business model is outlined on pages 2 to 5. The Financial review on page 20 and the KPIs on page 18 contain highlights of the results for the year.

The Chief Executive Officer's review on page 6 and the strategy on pages 10 to 17 provide details of our future outlook.

The Company generated a profit before tax for the year ended 31 December 2020 of £46.3 million, and no dividend was paid for that year. The Directors do not recommend the payment of a dividend for this year.

Principal risks and uncertainties

The principal risks and uncertainties, and their mitigants, are described on pages 24 to 27.

Going concern

In order to assess the appropriateness of the going concern basis the Directors considered the Company's financial position, the cash flow requirements laid out in its forecasts for a period of 12 months from the date of approval of these financial statements, its access to funding, the assumptions underlying the forecasts and the potential risks and uncertainty affecting them. This included taking into account the risks associated with the withdrawal of the United Kingdom (UK) from the European Union (EU), and the subsequent trade and cooperation agreement between the UK and the EU, as well as those associated with the ongoing COVID-19 pandemic. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, including a severe but plausible downside scenario, show that the Company will be able to operate within the level of its current working capital facilities.

Having reviewed these forecasts, and taken into account the forecast compliance position of the wider Pomegranate Topco Limited group (pursuant to dependent loans across the group), the Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has sufficient resources to continue in business for the foreseeable future, and for a period of at least 12 months from the signing of these financial statements.

The Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Directors

The Directors who were in office during the year and up to the date of signing the financial statements were as follows:

- Colin Keogh, Chairman
- Peter Catterall
- Andrew Chapman
- Maxim Crewe
- Simon Moran
- Anthony Santospirito
- Tara Waite
- David Young

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 still in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Stakeholder relationships and employee engagement

The Company is committed to ensuring it maintains strong relationships with all stakeholders (including employees) and actively engages with them on an ongoing basis. Further details are provided in our Stakeholders' relations section (page 28) and in our People and culture section (page 32).

Human rights and Modern Slavery Act

We respect all human rights and in conducting our business aim to act ethically and with integrity in all that we do. We operate in the UK and Ireland, as such, are subject to the European Convention on Human Rights and the UK Human Rights Act 1998.

We support the objective of the Modern Slavery Act 2015 and are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of the business. We actively engage with suppliers to ensure that compliance with modern slavery legislation is achieved. We have not incurred any fines or prosecutions in respect of non-compliance, and there have been no alleged breaches of the Modern Slavery Act during 2020.

The Company's statement on modern slavery is published on its website at www.premiumcredit.com.

Health and Safety Policy

The Company's Health and Safety Policy is designed to maintain a healthy and safe working environment, and to ensure the health, safety and wellbeing of all its employees, contractors, visitors to its premises, as well as those impacted by its operations in public areas. The Health and Safety Policy is regularly reviewed and updated as required. The Chief Operations and People Officer ensures the proactive approach to safety and wellbeing in the workplace.

Aside from skeleton staff at our headquarters, we have been operating remotely since mid-March 2020. We have provided additional health and safety training in relation to home-working, and have undertaken home workstation assessments to ensure the wellbeing of our colleagues in this new environment.

There were no significant incidents in the workplace during 2020.

Environmental, social and governance matters

We are committed to conducting our business in a manner that protects the environment. This means ensuring that all relevant environmental legislation and regulations are met and reducing consumption of these resources. For further details including SECR reporting see page 34.

Employee relations

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

The Company's policy in respect of employment, training, career development and promotion of disabled persons can be found on page 32.

It is the Company'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 Company operates competitive reward and benefit programmes, offers appropriate training and personal development programmes, and encourages the recognition of outstanding performance. The Company embraces continuous development of individuals and teams and provides schemes to enable all staff to participate directly in the success of the Company.

The Company has an established whistleblowing framework which enables employees to raise issues when they feel it is appropriate, and which ensures that no employee making such disclosure will suffer any consequent disadvantage. There were no whistleblowing incidents during the year 2020.

Research and development

The Company develops new products and services, and 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 Note 13 to the financial statements.

Supplier payment policy

The Company agrees appropriate terms and conditions individually with its suppliers. It seeks to abide by these terms provided that the supplier has also done so.

Donations

During the year the Company donated £12,076 (2019: £11,269) to charitable causes.

Post balance sheet events

There were no post balance sheet events.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, 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 company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the Board on 26 April 2021 and signed on its behalf by

T-Waite

Tara Waite
Director

Independent auditors' report to the members of Premium Credit Limited

Report on the audit of the financial statements

Opinion
In our opinion, Premium Credit Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the income statement, the statement of comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit
Responsibilities of the directors for the financial statements
As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to local employment laws, Listing Rules, the Financial Conduct Authority (FCA) regulatory requirements, and tax regulation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. Audit procedures performed included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of the disclosures in the Annual Report and Financial Statements against the specific legal requirements;
- Performing risk based testing on manual journal entry postings;
- Review of minutes of director meetings occurring during the year;
- Challenge of assumptions and judgements made by management in their significant accounting estimates; and
- Review of internal audit reports in so far as they related to the financial statements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
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.

Other required reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Simon Bailey

Simon Bailey (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 April 2021

Income statement

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Interest income		**113,109**	114,441
Interest expense		**(15,423)**	(20,367)
Net interest income	5	**97,686**	94,074
Fee income	6	**16,902**	17,764
Commission expense	7	**(3,989)**	(3,723)
Total income		**110,599**	108,115
Administrative expenses	8	**(62,950)**	(72,914)
Net impairment (losses)/gains on loans to customers	16	**(1,216)**	1,103
Operating profit	8	**46,433**	36,304
Finance income	10	**109**	81
Finance expenses	11	**(282)**	(320)
Profit before tax		**46,260**	36,065
Income tax expense	12	**(831)**	(985)
Profit for the financial year		**45,429**	35,080

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

Results relate to continuing operations.

Statement of comprehensive income

For the year ended 31 December 2020

	2020 £'000	2019 £'000
Profit for the financial year	**45,429**	35,080
Other comprehensive income/(expense)		
Items that may subsequently be reclassified to the income statement:		
Foreign currency translation gains/(losses)	**1,836**	(1,703)
Other comprehensive income/(expense) for the year	**1,836**	(1,703)
Total comprehensive income for the year	**47,265**	33,377

Balance sheet

As at 31 December 2020

	Notes	31 Dec 2020 £'000	31 Dec 2019 £'000
Assets			
Non-current assets			
Intangible assets	13	**7,291**	10,967
Property, plant and equipment	14	**2,608**	2,891
Right-of-use assets	15	**4,938**	5,932
Loans to customers	16	**2,468**	3,580
Prepayments and other receivables	17	**8,172**	8,849
Deferred tax assets	18	**389**	483
Total non-current assets		**25,866**	32,702
Current assets			
Loans to customers	16	**1,429,839**	1,441,869
Prepayments and other receivables	17	**105,427**	85,450
Corporation tax receivable		**1,131**	1,144
Cash and cash equivalents	19	**92,167**	54,538
Total current assets		**1,628,564**	1,583,001
Total assets		**1,654,430**	1,615,703
Liabilities			
Non-current liabilities			
Lease obligations	20	**4,585**	5,169
Total non-current liabilities		**4,585**	5,169
Current liabilities			
Lease obligations	20	**847**	890
Trade and other payables	21	**1,403,905**	1,411,816
Total current liabilities		**1,404,752**	1,412,706
Total liabilities		**1,409,337**	1,417,875
Equity			
Called up share capital	22	**10**	10
Retained earnings		**243,327**	197,898
Other reserves	23	**1,756**	(80)
Total shareholders' equity		**245,093**	197,828
Total equity and liabilities		**1,654,430**	1,615,703

The financial statements on pages 48 to 68 were approved by the Board of Directors on 26 April 2021 and signed on its behalf by

T Waite

Tara Waite
Director

Statement of changes in equity

For the year ended 31 December 2020

£'000	Called up share capital	Retained earnings	Other reserves	Total equity
At 1 January 2019	10	162,818	1,623	164,451
Profit for the financial year	–	35,080	–	35,080
Foreign currency translation losses	–	–	(1,703)	(1,703)
Total comprehensive income/(expense) for the year	–	35,080	(1,703)	33,377
At 31 December 2019	10	197,898	(80)	197,828
Profit for the financial year	**–**	**45,429**	**–**	**45,429**
Foreign currency translation gains	**–**	**–**	**1,836**	**1,836**
Total comprehensive income for the year	**–**	**45,429**	**1,836**	**47,265**
At 31 December 2020	**10**	**243,327**	**1,756**	**245,093**

Notes to the financial statements

1. GENERAL INFORMATION

Premium Credit Limited ('the Company') is a private limited company, limited by shares, which provides instalment finance solutions, supporting the purchase of insurance policies and other services to corporates and individuals in the UK and Ireland. The Company is incorporated in England and Wales with company number 02015200, and domiciled in the United Kingdom. The address of the registered office is: Ermyn House, Ermyn Way, Leatherhead, England, KT22 8UX.

The Company has a branch in the Republic of Ireland.

2. ACCOUNTING POLICIES

The accounting policies and methods of computation are consistent with those applied in the 2019 Annual Report and Financial Statements.

A summary of the principal accounting policies is set out below.

(a) Basis of preparation

The financial statements of Premium Credit Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention modified to include the fair valuation of particular financial instruments, to the extent required or permitted as set out in the relevant accounting policies and in accordance with the Companies Act 2006, as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

The Company has taken advantage of the exemption under s.400 of the Companies Act 2006 not to prepare Company financial statements as it is a wholly owned subsidiary of Mizzen Mezzco Limited.

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

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 S*hare-based Payment.*
- The requirements of IFRS 7 *Financial Instruments: Disclosures.*
- The requirements of paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement*.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers.*
- The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1;
  - Paragraph 73(e) of IAS 16 *Property, Plant and Equipment;*
  - Paragraph 118(e) of IAS 38 *Intangible Assets;*
- 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.*
- The requirements of IAS 7 *Statement of Cash Flows.*
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates an*d Errors.*
- The requirements of paragraphs 17 of IAS 24 *Related Party Disclosures*.
- The requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a Company.
- 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 Company in which the entity is consolidated.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

(b) Going concern

The Company's principal risk stems from the credit quality of loans and advances and the Directors review the risks the Company may face on an ongoing basis.

In order to assess the appropriateness of the going concern basis the Directors considered the Company's financial position, the cash flow requirements laid out in its forecasts for a period of 12 months from the date of approval of these financial statements, its access to funding, the assumptions underlying the forecasts and the potential risks and uncertainty affecting them. This included taking into account the risks associated with the withdrawal of the United Kingdom (UK) from the European Union (EU), and the subsequent trade and cooperation agreement between the UK and the EU, as well as those associated with the ongoing COVID-19 pandemic. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, including a severe but plausible downside scenario, show that the group will be able to operate within the level of its current working capital facilities.

Having reviewed these forecasts, and taken into account the forecast covenant compliance position of the wider Pomegranate Topco Limited group (due to the potential repercussions on the Company), the Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has sufficient resources to continue in business for the foreseeable future, and for a period of at least 12 months from the signing of the financial statements.

The Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Notes to the financial statements continued

2. ACCOUNTING POLICIES CONTINUED

(c) Net interest income recognition

Financial instruments which are disclosed as loans and advances to customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement at historical cost, they are subsequently measured at amortised cost using the effective interest rate (EIR) method, less allowance for any expected credit loss (ECL). 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. The interest income calculated using this method is included in interest and similar income in the income statement. The ECL is recognised in the income statement in impairment losses on loans and advances to customers.

(d) 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 Company generates fees from the financing of insurance policies and other instalment 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.

Administration and facility fees are initially measured at historical cost; they are subsequently measured at amortised cost using the effective interest rate (EIR) method.

(e) 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 in the countries where the Company and its branches operate and generate taxable income.

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 exception:

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.

(f) Foreign currency translation

Transactions in foreign currencies are recorded at the rate applicable at the date of the transaction. All monetary assets and liabilities expressed in foreign currencies are translated into Pounds Sterling at rates of exchange at the end of the financial year. Differences between the translated transactions and subsequent cash settlements, or related translated balances, are recognised in the income statement.

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

The Company's foreign operations may have different functional currencies. Prior to consolidation the assets and liabilities of non-Sterling operations are translated at the period end exchange rate and items of income, expense and other comprehensive income are translated into Sterling at the rate on the date of the transactions. Exchange differences arising on the translation of foreign operations are included in the foreign currency translation reserve within equity.

(g) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks.

(h) Financial instruments

IFRS 9 Financial Instruments has three core areas: Classification and Measurement; Hedge Accounting; and Impairment.

Financial assets

Financial assets comprise cash and bank balances, loans to customers and other receivables.

Classification and measurement

Financial assets are classified into one of three measurement categories:
(a) amortised cost;
(b) fair value through other comprehensive income (FVOCI); or
(c) fair value through profit or loss (FVPL).

Classification is based on the objectives of the Company's business model for managing its financial assets and the contractual cash flow characteristics of the instruments.

(a) Amortised cost

Financial assets that are held to collect contractual cash flows and where contractual terms comprise solely payments of principal and interest (SPPI) are classified at amortised cost. This category includes Company's loan portfolios and cash and bank balances within a 'hold to collect' business model.

Financial assets at amortised cost are initially recognised at fair value, including direct and incremental transaction costs. Subsequent measurement is at amortised cost using the effective interest rate methodology.

The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income is included in 'interest income' using the effective interest rate methodology.

(b) Fair value through other comprehensive income (FVOCI)

Financial assets held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and where contractual terms comprise solely payments of principal and interest are classified and measured at fair value through other comprehensive income (FVOCI).

Financial assets at FVOCI are initially measured at fair value, including direct and incremental transaction costs. Subsequent measurement is at fair value, with changes in fair value being recognised in other comprehensive income, with the exception of impairment gains or losses, interest income and foreign exchange gains and losses on the instruments amortised cost which are recognised in profit or loss. Interest income from these financial assets is included in 'interest income' using the effective interest rate methodology.

On derecognition of a financial asset, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Fair value gains/losses on financial instruments.

(c) Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL on initial recognition and at each reporting date.

Any gain or loss on an asset that is subsequently measured at FVTPL, and is not part of a hedging relationship, is recognised in profit or loss and presented in the profit or loss statement within 'fair value gains/losses on financial instruments'. Interest income from these financial assets is included separately in 'net interest income'.

Financial liabilities

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. After 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 Company does not hold any financial liabilities classified as held for trading.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(i) Impairment of financial assets (Expected credit loss)

The Company assesses all financial assets and off-balance sheet commitments for impairment at each reporting date. For the Company, this is primarily loans to customers. Under IFRS 9 a 'three-stage' model for calculating Expected Credit Losses (ECL) is used, and is based on changes in credit quality since initial recognition as summarised below:

- **Stage 1:** When a financial asset is first recognised it is assigned to Stage 1. If there is no 'significant increase in credit risk' from initial recognition the financial asset remains in Stage 1. Stage 1 also includes financial assets where the credit risk has improved and the financial asset has been reclassified back from Stage 2. For financial assets in Stage 1 a '12-month ECL' is recognised.
- **Stage 2:** When a financial asset shows a 'significant increase in credit risk' from initial recognition it is moved to Stage 2. Stage 2 also includes financial assets where the credit risk has improved, and the financial asset has been reclassified back from Stage 3. For financial assets in Stage 2 a 'lifetime ECL' is recognised.
- **Stage 3:** When there is objective evidence of impairment and the financial asset is in default, or otherwise credit impaired, it is moved to Stage 3. For financial assets in Stage 3 a 'lifetime ECL' is recognised.

In relation to the above:

- **'Lifetime ECL'** is defined as ECL that result from all possible default events over the expected life of a financial instrument.
- **'12-month ECL'** is defined as the portion of the lifetime ECL that will result if a default occurs in the 12 months after the reporting date, weighted by the probability of that default occurring.

On an ongoing basis, the Company assesses whether there has been a change in credit quality and where necessary financial assets are then moved through the stages accordingly as outlined below:

Significant increase in credit risk assessment – movement to Stage 2:

A 'significant increase in credit risk' (SICR) is not a defined term, and is determined by management, based on their experience and judgement. Most Company loans are short term agreements of less than 12 months. Based on its historical experience of performance of those loans and due to its short-term exposure, the Company applies a conservative approach for measuring SICR, a principle called 'one day one penny overdue' which means a loan account which is past due by one day is an indicator of significant increase in credit risk. Since the majority of Company's customers pay by direct debit and the loans are only for a short period, it believes that for a customer to miss a payment or to be in arrears, provides a strong indication of SICR (excluding cases where the payment is delayed due to technical reasons). Where the Company has the right of automatic recovery from the intermediary partner ('recourse loans'), these loans remain in Stage 1 irrespective of how many days the loan is past due, the credit risk of the intermediary also being risk assessed.

Notes to the financial statements continued

2. ACCOUNTING POLICIES CONTINUED

Default – movement to Stage 3:

A financial asset will only be considered credit impaired if there is objective evidence of impairment, including financial assets that are defaulted or 90 days past due. Where a financial asset is classified as credit impaired it will be moved into Stage 3.

Loans are considered to be defaulted where the borrower is in breach of contract, is bankrupt, or experiences other significant financial difficulties which are expected to have a detrimental impact on their ability to pay interest or principal on the advance. The Company refers to these kinds of loans as 'terminated agreement'. In addition to the qualitative factors, the loans have to be at least 30 days past due to fall into termination category.

When loans are identified as credit impaired, interest income is calculated at amortised cost on the net carrying value of the loan (carrying value net of the impairment provision) in line with the requirements of IFRS 9.

Improvement (movement back to a lower stage):

The loans in Stage 2 and 3 are assumed to be cured when the payments are up to date. These loans are no longer included as 'one day one penny overdue' when the data is refreshed at month end.

Write off

The Company writes off loans when they are 180 days past due.

Calculation of Expected credit losses (ECL)

At 31 December 2020, 99.8% of the outstanding loans had a remaining life of 12 months or less. As a result of this the 12 months and lifetime ECL calculations are broadly the same. The ECL computation is based on historical loss rates, where each division's loans are analysed independently. The Company considers this to be the Probability of Default.

The Probability of Default is applied to balances in each stage to derive the ECL.

The forward-looking aspect of IFRS 9 requires judgement regarding the impact of changes in the macro economy on the loans written by the business. In doing this we have considered amongst other things the impact of COVID-19 and the associated support measures implemented. Further details of the significant accounting judgements and estimates are include in Note 3.

Due to the short-term nature of the products offered by the Company, there is a weak correlation between the performance of the portfolio and macroeconomic lead indicators. As a result, the Company does not use multiple economic scenarios in assessing the Probability of Default at each impairment stage and expects the impact of this to be immaterial on the overall impairment calculation.

(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 non-financial assets

Non-financial assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. If 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 except for goodwill.

(l) 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 Company. All other repairs and maintenance costs are charged to the income statement in the period in which they are incurred.

Depreciation is charged to the income statement on a straight-line basis to allocate the costs less residual value over the estimated useful life of an asset. Depreciation commences on the date that an 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. The estimated useful lives for property, plant and equipment are:

Equipment	3 to 10 years
Leasehold improvements	10 to 20 years

The residual values and useful lives of assets 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 income statement.

Leased assets

Leases, in which substantially all the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(m) Intangible assets

Intangible assets that are acquired by the Company 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.

Internally generated intangible assets

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 is demonstrable (e.g. allocated budgets and resources, Board of Directors approval);
- Management is satisfied with 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);
- Adequate technical, financial or other resources to complete the development and to use or sell the software are available;
- The development cost of the asset can be measured reliably; and
- It is not a research cost.

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

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

Following the initial recognition of an internally generated intangible asset, the cost is amortised over the estimated useful life of the asset created. Amortisation commences on the date that the asset is brought into use. As assets categorised as Assets under construction or Work in progress are brought into use the assets are transferred to the appropriate classification within intangible assets. The estimated useful lives for such assets are:

Capitalised development costs/software	3 to 5 years

(n) 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 Company, 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 financial statements but are disclosed unless the possibility of an outflow of resources is remote.

(o) Share capital

Ordinary shares are classified as equity. Preference shares may be classified as equity or debt depending on their characteristics.

(p) Dividends

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

(q) Investments

Investments in subsidiaries, associates and joint ventures are held at historical cost less any applicable provision for impairment.

(r) Pension costs

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

(s) The Company's leasing activities and how these are accounted for

The Company leases buildings and vehicles. Rental contracts are typically made for fixed periods of 6 months to 7 years. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of property for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Notes to the financial statements continued

2. ACCOUNTING POLICIES CONTINUED

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:
- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing; and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

To optimise lease costs during the contract period, the Company sometimes provides residual value guarantees in relation to vehicle leases.

(t) Future accounting pronouncements

A number of new accounting standards and amendments to accounting standards have been issued by the IASB, which are not yet effective and have not been early adopted by the Company. These are set out below:
- Insurance contracts – Amendments to IFRS 17 (effective for periods beginning 1 January 2023 or when applying IFRS 15). No impact expected.
- Definition Of materiality – Amendment to IAS 1 & IAS 8 (effective for periods beginning on or after 1 January 2020). No expected impact.
- Definition of a business – Amendment to IFRS 3 (effective for periods beginning on or after 1 January 2020). No expected impact.
- COVID-19 related rent concessions – Amendment to IFRS 16 (effective for periods beginning on or after 1 June 2020). No impact expected.
- Classification of Liabilities as Current or Non-Current – Amendment to IAS 1 (effective for periods beginning on or after 1 January 2022). Low expected impact.
- *Interest rate benchmark (IBOR) reform – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that* (effective for annual periods beginning on or after 1 January 2021)

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that address issues arising during the reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one. The amendments are effective from 1 January 2021. The guidance outlines on how to apply the Phase 2 amendments to various contracts and hedge accounting relationships, including the interaction with the Phase 1 reliefs for hedge accounting.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The Company's principal accounting policies are set out in this document. United Kingdom company law and FRS 101 require the Directors, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgements 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 judgements and estimates involved in the Company'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 Company would affect its reported results.

Critical accounting estimates

(a) Expected credit losses on financial assets

The measurement of Expected Credit Losses ('ECL') under IFRS 9 requires a number of significant estimates. ECL calculations are outputs of complex models with a number of underlying estimates regarding the choice of variable inputs and their interdependencies. Specifically, estimation uncertainties relate to the assessment of whether credit risk on the financial asset has increased significantly since initial recognition, incorporation of forward-looking information in the measurement of ECL and key estimates for the recoverable cash flows. These estimates are driven by a number of factors that are subject to change which may result in different levels of ECL allowances.

The economic impacts of the COVID-19 pandemic and the support measures introduced by governmental organisations has resulted in a change from historic norms in the repayment and termination profiles of the loans written by the business. To establish an appropriate impairment provision following these changes an overlay has been applied to the Company's standard ECL modelling. The modelling of this overlay includes assumptions of the drivers of the eventual loss which includes termination, collection and write-off rates, which have been impacted during 2020 due to the volatility arising from the COVID-19 pandemic. Estimating the impact of the changes in these drivers on the ECL, where there is no observable historical trend data, results in there being a significant uncertainty in the estimation of the drivers. Therefore, modelled assumptions and linkages between credit losses may underestimate or overestimate ECL in these conditions. A change of 50% in the adjustment applied by the overlay model would result in a £1.6m change in the impairment provision in 2020 (2019: nil).

The calculation of ECL and the associated areas estimated are detailed in Note 2 (i).

(b) Effective interest rate

In calculating the effective interest rate of a financial instrument, the Company takes into account all amounts that are integral to the yield. In the case of loans to customers future cash flows and the expected average life of customer debt balances are estimated. A change in the estimate of any of the key variables in this calculation has the potential to significantly impact income recognised in the consolidated income statement.

(c) Impairment of assets

FRS 101 requires management to undertake an annual test for impairment test 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 estimates, 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 estimates have been made in respect of highly uncertain matters including management's expectations of growth and discount rates. Changing the estimates selected by management could significantly affect the Company's impairment evaluation and hence results. The company's review includes the key assumptions related to sensitivity in the cash flow projections.

(d) Other provisions

The nature and complexity of the Company's contractual arrangements can often mean uncertain positions arise as a result of its normal trading activities. A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax risk-free rate. Provisions are measured at management's best estimate of the expenditure required to settle the Company's liability. These estimates are reviewed each year and updated as necessary.

The company is responsible for the making good of dilapidations to the building it leased in Epsom to the end of November 2016. To establish the cost of this obligation the Group employed a firm of surveyors who have advised that the likely cost of the corrective works will be in the order of £0.5 million. In February 2021 the Group received a claim from the landlords of the property in relation to these costs for £2.7 million. These Financial Statements include a provision for the property obligation, which the management believes is the best estimate of the anticipated economic outflow based on professional advice. The Directors recognise that there are a range of possible outcomes which could be materially different from management's best estimate.

Other estimates, assumptions and judgements are applied by the Company. These estimates, assumptions and judgements are also evaluated on a continual basis but are not significant.

Critical accounting judgements

(e) Development costs

The Company has capitalised internally generated *intangible assets* as required in accordance with IAS 38 Intangible Assets. Management has applied judgement in determining 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 judgements.

(f) Going concern

This is the current draft in Directors' report:
Accounting standards require the directors to assess the Company's ability to continue to adopt the going concern basis of accounting. In performing this assessment, the directors consider all available information about the future, the possible outcomes of events and changes in conditions and the realistically possible responses to such events and conditions that would be available to them.

In order to assess the appropriateness of the going concern basis the directors considered the Company's financial position, the cash flow requirements laid out in its forecasts for a period of twelve months from the date of approval of these financial statements, its access to funding, the assumptions underlying the forecasts and the potential risks affecting them. This included taking into account the risks associated with the withdrawal of the United Kingdom (UK) from the European Union (EU), and the subsequent trade and cooperation agreement between the UK and the EU, as well as those associated with the ongoing COVID-19 pandemic.

Having reviewed these forecasts, and taken into account the forecast covenant compliance position of the wider Pomegranate Topco Limited group, the directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has sufficient resources to continue in business for the foreseeable future.

The directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

4. SEGMENTAL REPORTING

The Company 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 Company's business is not provided.

Notes to the financial statements continued

5. NET INTEREST INCOME

	2020 £'000	2019 £'000
Interest receivable on:		
Interest income on loans to customers -		
Earned service fee income	117,672	118,285
Cost of sales: incentives	(4,563)	(3,844)
Interest income	**113,109**	114,441
Interest payable on:		
Amounts owed to related party	(15,423)	(20,367)
Interest expense	**(15,423)**	(20,367)
Net interest income	**97,686**	94,074

Interest payable on amounts owed to related party is LIBOR/SONIA linked interest payable to PCL Asset Trustee Limited, a special purpose securitisation vehicle.

6. FEE INCOME

	2020 £'000	2019 £'000
Servicing and administration fees	16,902	17,764
Fee and commission income	**16,902**	17,764

The costs associated with servicing and administration fees income are primarily included in administrative expenses. See Note 8 for an analysis of the Company's administrative expenses.

7. COMMISSION EXPENSE

	2020 £'000	2019 £'000
Fee and commission expense	**3,989**	3,723

Commission expense primarily relates to costs payable to our intermediary partners.

8. OPERATING PROFIT

Administrative expenses

	2020 £'000	2019 £'000
Staff costs:		
Wages and salaries	22,366	23,799
Social security costs	3,226	3,358
Other pension costs	1,448	1,472
Total staff costs	**27,040**	28,629
Non-staff costs:		
Other administration costs	20,305	19,729
IT related expenditure	3,714	7,879
Foreign currency (gain)/loss	(1,497)	2,846
Depreciation and amortisation	6,953	7,933
Amounts written off on loans to customers	6,435	5,898
Total non-staff costs	**35,910**	44,285
Total administrative expenses	**62,950**	72,914

Operating profit is stated after charging:

	2020 £'000	2019 £'000
Operating lease rentals	9	102
Depreciation charge on property, plant and equipment and right-of-use assets (Note 14 and 15)	1,872	2,099
Amortisation charge on intangible assets (Note 13)	5,081	5,834
Impairment charge on intangible assets (Note 13)	449	–
Loss on disposal of intangible assets (Note 13)	100	–
Impairment of loans to customers	7,651	4,795
IT related expenditure	3,714	7,879

Impairments of loans to customers

	2020 £'000	2019 £'000
Movement in expected credit losses/impairment allowance (Note 16)	1,216	(1,103)
Amounts written off during the year as uncollectible, net of recoveries	6,435	5,898
Impairment of loans to customers	**7,651**	4,795

Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements of the Company and for other services provided.

Auditors' remuneration	2020 £'000	2019 £'000
Audit services	396	309
Audit related services	–	77
Other assurance services	1	196
Total auditors' remuneration	**397**	**582**

The above fees for audit services are borne by PCL and include all entities within the Pomegranate Topco group.

Employees

The average monthly number of employees (including Executive Directors) employed by the Company during the year was 399 (2019: 392) at year end it was 378 (2019:407). All employees are engaged in the financing of insurance premiums and instalment services and are split into the following functions:

	2020 Number	2019 Number
Operations	161	165
General and administration	173	173
Sales and marketing	65	54
Average monthly number of employees	**399**	392

The Company 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.

9. DIRECTORS EMOLUMENTS

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

	2020 £'000	2019 £'000
Aggregate emoluments	1,952	2,407
Total emoluments	**1,952**	2,407

Directors emoluments include amounts paid or accrued in respect of Premium Credit Limited, Mizzen Mezzco Limited and Pomegranate Topco Limited Directors. The costs of Directors emoluments are borne by Premium Credit Limited.

No retirement benefits are accruing to Directors (2019: £nil) under the Company's defined contribution pension scheme.

The total emoluments of the highest paid Director were £0.7 million (2019: £0.7 million) which includes payment in lieu of notice £nil (2019: £0.5 million). No contributions were made in respect of money purchase schemes to the highest paid Director (2019: £nil).

Notes to the financial statements continued

10. FINANCE INCOME

	2020 £'000	2019 £'000
Interest receivable on:		
Loans to Group undertakings	**83**	81
Corporation tax	**26**	–
Finance income	**109**	81

11. FINANCE EXPENSES

	2020 £'000	2019 £'000
Interest payable on:		
Interest charges payable for lease liabilities	**282**	320
Finance expenses	**282**	320

12. INCOME TAX EXPENSE

Income tax expense

	2020 £'000	2019 £'000
Current tax expense – current year	**1,811**	1,085
Current tax (credit) – prior year	**(1,782)**	(363)
Total current tax	**29**	722
Deferred tax credit – current year	**251**	(130)
Deferred tax (credit)/expense – prior year	**(157)**	71
Total deferred tax	**94**	(59)
Foreign tax	**708**	322
Total foreign tax	**708**	322
Total tax expense	**831**	985

The headline rate of UK corporation tax will remain at 19% from 1 April 2020 following the enactment of Finance Act 2020 on 22 July 2020. Given that this rate was enacted as at the balance sheet date, any deferred tax balances included within the accounts have been calculated with reference to the rate of 19%, as required under Financial Reporting Standard 101. The company's profits for this accounting period are taxed at the applicable rate of 19% (2019: 19%). As part of the UK budget on 3 March 2021, it was announced that the corporation tax rate is set to increase to 25% by April 2023. Had this rate been enacted at the balance sheet date, the deferred tax asset recognised would have been increased by £103k.

Factors affecting the total tax charge for the year are explained below:

	2020 £'000	2019 £'000
Profit before taxation	**46,260**	36,065
Profit multiplied by tax rate in the UK of 19.00% (2019: 19.00%)	**8,789**	6,852
Factors affecting expense for the year:		
Tax exempt income	-	(8)
Expenses not deductible for tax purposes	**57**	196
Adjustment to prior years – current tax	**(1,782)**	(363)
Adjustment to prior years – deferred tax	**(157)**	71
Effects of rate change	**(75)**	19
Double tax relief	**(708)**	(322)
Overseas tax	**708**	322
Effect of group relief	**(6,001)**	(5,782)
Total tax expense	**831**	985

13. INTANGIBLE ASSETS

	Assets under construction £'000	Software £'000	Total £'000
Net carrying value at 31 December 2019	2,569	8,398	10,967
Cost			
At 1 January 2020	**2,569**	**26,014**	**28,583**
Additions	**1,866**	**88**	**1,954**
Disposals	**(89)**	**(5,629)**	**(5,718)**
Impairment	**–**	**(539)**	**(539)**
Transfers	**(4,108)**	**4,108**	**–**
At 31 December 2020	**238**	**24,042**	**24,280**
Accumulated amortisation and impairment			
At 1 January 2020	**–**	**17,616**	**17,616**
Amortisation	**–**	**5,081**	**5,081**
Disposals	**–**	**(5,618)**	**(5,618)**
Impairment	**–**	**(90)**	**(90)**
At 31 December 2020	**–**	**16,989**	**16,989**
Net carrying value at 31 December 2020	**238**	**7,053**	**7,291**

Assets under construction relate to capitalised development costs.

Intangible assets amortisation is recorded in the administrative expenses in the income statement.

During the year,assets with a carrying value of £0.4 million were impaired upon capitalisation as the value in use was identified and deemed to be lower than the development costs.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Equipment £'000	Total £'000
Net carrying value at 31 December 2019	2,019	872	2,891
Cost			
At 1 January 2020	**2,872**	**5,542**	**8,414**
Additions	**–**	**570**	**570**
Disposals	**–**	**(64)**	**(64)**
Exchange adjustments	**–**	**(2)**	**(2)**
At 31 December 2020	**2,872**	**6,046**	**8,918**
Accumulated depreciation			
At 1 January 2020	**853**	**4,670**	**5,523**
Charge for the year	**291**	**561**	**852**
Disposals	**–**	**(64)**	**(64)**
Exchange adjustments	**–**	**(1)**	**(1)**
At 31 December 2020	**1,144**	**5,166**	**6,310**
Net carrying value at 31 December 2020	**1,728**	**880**	**2,608**

See Note 24 for contractual commitments on capital expenditure.

Notes to the financial statements continued

15. RIGHT-OF-USE ASSETS

	Buildings £'000	Vehicles £'000	Total £'000
Net carrying value at 31 December 2019	5,612	320	5,932
Cost			
At 1 January 2020	**6,433**	**508**	**6,941**
Additions	**–**	**26**	**26**
Disposals	**–**	**(75)**	**(75)**
At 31 December 2020	**6,433**	**459**	**6,892**
Accumulated depreciation			
At 1 January 2020	**821**	**188**	**1,009**
Charge for the year	**821**	**199**	**1,020**
Disposals	**–**	**(75)**	**(75)**
At 31 December 2020	**1,642**	**312**	**1,954**
Net carrying value at 31 December 2020	**4,791**	**147**	**4,938**

16. LOANS TO CUSTOMERS

	2020 £'000	2019 £'000
Gross loans to customers	**1,438,852**	1,450,769
Less: allowance for impairment	**(6,545)**	(5,320)
Net loans to customers	**1,432,307**	1,445,449
Split as:		
Current	**1,429,839**	1,441,869
Non-current	**2,468**	3,580

At 31 December 2020, £1,041.9 million (2019: £1,049.5 million) of loans to customers had their beneficial interest assigned to SPV entities as collateral for securitisation transactions.

The following table shows impairment provisions for loans:

	2020 £'000	2019 £'000
1 January	**5,320**	6,423
Charge to the income statement for impairment losses	**1,216**	(1,103)
Exchange adjustments	**9**	–
At 31 December	**6,545**	5,320

The table below shows stage allocation of Company's loans, allowance for expected credit losses (ECL) together with ECL coverage ratio:

At 31 December 2020	Stage 1	Stage 2	Stage 3	Total
Loans to customers (£'000)	**1,433,313**	**3,233**	**2,306**	**1,438,852**
Allowance for ECL (£'000)	**3,841**	**398**	**2,306**	**6,545**
Coverage ratio (%)	**0.3%**	**12.3%**	**100.0%**	**0.5%**

At 31 December 2019	Stage 1	Stage 2	Stage 3	Total
Loans to customers (£'000)	1,437,102	9,104	4,563	1,450,769
Allowance for ECL (£'000)	3,095	633	1,592	5,320
Coverage ratio (%)	0.2%	7.0%	34.9%	0.4%

17. PREPAYMENTS AND OTHER RECEIVABLES

	2020 £'000	2019 £'000
Amounts due from Group undertakings	**105,110**	82,581
Prepayments and other debtors	**8,489**	11,718
Prepayments and other receivables	**113,599**	94,299
Split as:		
Current	**105,427**	85,450
Non-current	**8,172**	8,849

Amounts due from Group undertakings are unsecured and consists of two loans. A loan of £7.2 million (2019: £7.6 million) was made to Vendcrown Limited which is repayable in October 2022 or on demand within three business days of written notice from the lender and which earns interest at a rate of 1% (2019: 1%) per annum, with a total accrued interest of £0.7 million, as well as a loan of £97.2 million (2019: £74.4 million) that relates principally to expenses paid by PCL on behalf of related parties, which is interest free and repayable on demand.

Prepayments and other debtors of £8.5 million (2019: £11.7 million) include £0.7 million (2019: £1.4 million) of fees relating to the Securitisation Programme which are amortised over 5 years and £0.5 million (2019: £0.9 million) of fees relating to undrawn facilities.

18. DEFERRED TAX ASSET

Deferred tax included in the balance sheet is as follows:

	2020 £'000	2019 £'000
Balance as at 1 January	**483**	424
Deferred tax charge/(credit) for the year attributable to:		
Deferred tax charge in respect of current year	**(326)**	149
Adjustments in respect of prior period	**157**	(71)
Effect of rate change	**75**	(19)
Deferred tax asset as at 31 December	**389**	483

The deferred tax asset in the balance sheet is as follows:

	31 Dec 2020 £'000	31 Dec 2019 £'000
Deferred tax due within 12 months	**(115)**	(185)
Deferred tax due in more than 12 months	**504**	668
Carrying amount at year end	**389**	483

There are no unused tax losses or unused tax credits.

The deferred tax asset in the balance sheet is as follows:

	31 Dec 2020 £'000	31 Dec 2019 £'000
Accelerated capital allowances	**368**	373
s1308 R&D intangible fixed asset	**21**	110
Carrying amount at year end	**389**	483

Notes to the financial statements continued

19. CASH AND CASH EQUIVALENTS

	31 Dec 2020 £'000	31 Dec 2019 £'000
Bank balances	**92,167**	54,538
Cash and cash equivalents	**92,167**	54,538

20. LEASE OBLIGATIONS

a) Liabilities

The balance sheet shows the following amounts relating to leases:

	2020 £'000	2019 £'000
Buildings	**5,304**	5,764
Vehicles	**128**	295
Lease obligations	**5,432**	6,059

b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2020 £'000	2019 £'000
Interest expense (included in Finance expense)	**282**	320
Expense relating to short-term leases (included in Administrative expenses)	**21**	28

21. TRADE AND OTHER PAYABLES

	2020 £'000	2019 £'000
Trade payables	**444,108**	438,658
Amounts owed to Group undertakings	**946,552**	956,952
Accruals and deferred income	**11,461**	14,691
Social security and other taxes	**1,148**	1,000
Other creditors	**636**	515
Total trade and other payables	**1,403,905**	1,411,816

Amounts owed to Company undertakings of £946.6 million (2019: £957.0 million) consists of £948.1 million owed to PCL Asset Trustee Limited, offset by the Securitisation Programme set up fees of £2.6 million (2019: £2.1 million) which are amortised over the facility period. An intercompany balance of £1.0 million (2019: £1.0 million) was owed to Pomegranate Acquisitions Limited, which is interest free and repayable on demand.

Intercompany balances with special purpose vehicles arise from securitisation transactions, including the issue of Sterling-denominated VFN notes and public asset-backed securities. VFN notes are issued or redeemed in proportion to the increase or decrease in the portfolio of loans to customers.

22. CALLED UP SHARE CAPITAL

	2020 £'000	2019 £'000
Allotted and fully paid		
10,000 (2019: 10,000) ordinary shares of £1 each	**10**	10
10,000 ordinary shares (2019: 10,000) of USD 0.01 each	**–**	–
Called up share capital	**10**	10

23. OTHER RESERVES

	2020 £'000	2019 £'000
At 1 January	**(80)**	1,623
Foreign currency translation reserve	**1,836**	(1,703)
Called up share capital	**1,756**	(80)

24. DIVIDENDS

No dividend was paid or declared in 2020 and 2019 and none is proposed.

25. INVESTMENT IN COMPANY UNDERTAKINGS

Name	Country of incorporation	Nature of business	Percentage of shares held	Share capital
Direct Debit Management Services Limited	UK	Dormant	100	£2

The Directors believe that the carrying value of the investment is supported by the underlying net assets.

The registered address of Direct Debit Management Services Limited is Ermyn House, Ermyn Way, Leatherhead, Surrey, KT22 8UX.

26. CONTINGENT LIABILITIES AND COMMITMENTS

a) Capital Commitments

Capital expenditure authorised and contracted for but not provided in the financial statements amounts to £0.1 million (2019: £0.1 million).

27. FINANCIAL INSTRUMENTS

a) Classification of financial instruments under IFRS 9

The following tables analyse the financial assets and financial liabilities in accordance with the categories of financial instruments under IFRS 9.

At 31 December 2020	FVTPL £'000	Amortised cost £'000	Total £'000
Assets			
Cash and cash equivalents	**–**	**92,167**	**92,167**
Loans to customers	**–**	**1,432,307**	**1,432,307**
Amounts due from Group undertakings	**–**	**105,110**	**105,110**
Total financial assets	**–**	**1,629,584**	**1,629,584**
Liabilities			
Trade and other payables	**–**	**1,402,757**	**1,402,757**
Total financial liabilities	**–**	**1,402,757**	**1,402,757**

At 31 December 2019	FVTPL £'000	Amortised cost £'000	Total £'000
Assets			
Cash and cash equivalents	–	54,538	54,538
Loans to customers	–	1,445,449	1,445,449
Amounts due from Group undertakings	–	82,581	82,581
Total financial assets	–	1,582,568	1,582,568
Liabilities			
Trade and other payables	–	1,396,125	1,396,125
Total financial liabilities	–	1,396,125	1,396,125

Notes to the financial statements continued

27. FINANCIAL INSTRUMENTS 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 balance sheet are approximately equal to their fair values.

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).

At 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Loans to customers	–	**1,432,307**	–	**1,432,307**
Amounts due from Group undertakings	–	**105,110**	–	**105,110**
Total financial assets	–	**1,537,417**	–	**1,537,417**
Liabilities				
Trade and other payables	–	**1,402,757**	–	**1,402,757**
Total financial liabilities	–	**1,402,757**	–	**1,402,757**

At 31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Loans to customers	–	1,445,449	–	1,445,449
Amounts due from Group undertakings	–	82,581	–	82,581
Total financial assets	–	1,528,030	–	1,528,030
Liabilities				
Trade and other payables	–	1,411,816	–	1,411,816
Total financial liabilities	–	1,411,816	–	1,411,816

Maturity profile

A maturity analysis of the undiscounted contractual cash flows of the Company's asset and liabilities is shown below. These differ from the statement of financial position values due to the effects of discounting on certain balance sheet items and due to the inclusion of contractual future interest flows.

At 31 December 2020	Repayable on demand £'000	<1 year £'000	1-2 years £'000	2-5 years £'000	< 5 years £'000	Total £'000
Financial liabilities						
Trade and other payables	–	**1,402,757**	–	–	–	**1,402,757**
Total financial liabilities	–	**1,402,757**	–	–	–	**1,402,757**
Financial assets						
Loans to customers	–	**1,429,839**	**2,468**	–	–	**1,432,307**
Amounts due from Group undertakings	-	**105,110**	-	–	–	**105,110**
Cash and cash equivalents	**92,167**	–	–	–	–	**92,167**
Total financial assets	**92,167**	**1,534,949**	**2,468**	–	–	**1,629,584**
Maturity gap	**92,167**	**132,192**	**2,468**	–	–	**226,827**

At 31 December 2019	Repayable on demand £'000	<1 year £'000	1-2 years £'000	2-5 years £'000	< 5 years £'000	Total £'000
Financial liabilities						
Trade and other payables	–	1,396,125	–	–	–	1,396,125
Borrowings	–	–	2,093	–	–	2,093
Total financial liabilities	–	1,396,125	2,093	–	–	1,398,218
Financial assets						
Loans to customers	–	1,441,869	3,580	–	–	1,445,449
Amounts due from Group undertakings	–	75,026	–	7,555	–	82,581
Cash and cash equivalents	54,538	–	–	–	–	54,538
Total financial assets	54,538	1,516,895	3,580	7,555	–	1,582,568
Maturity gap	54,538	143,653	1,487	7,555	–	184,350

28. CAPITAL RESOURCES

It is the Company's policy is 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 Company's objectives in managing capital are:

- To ensure that the Company has sufficient capital to meet its operational requirements and long-term strategic objectives;
- To safeguard the Company'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 Company sets the amount of capital based on the Board's view of perceived credit risk, the availability and cost of external financing. The Company manages the capital structure and adjusts it in 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 Company 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 Company is not subject to any externally imposed capital requirements.

	2020 £'000	2019 £'000
Profit for the financial year	**45,429**	35,080
Divided by:		
Opening equity	**197,828**	164,451
Closing equity	**245,093**	197,828
Average equity	**221,461**	181,140
Return on equity	**20.5%**	19.4%

Return on equity is defined by the Company as profit after tax divided by the average of the opening and closing equity positions. The debt and equity amount for the Company at 31 December 2020 and 31 December 2019 were as follows:

The debt and equity amount for the Company at 31 December 2020 and 31 December 2019 were as follows:

	Notes	2020 £'000	2019 £'000
Debt			
Amounts owed to Company undertakings	21	**946,552**	956,952
Less: Cash	19	**(92,167)**	(54,538)
Net debt		**854,385**	902,414
Equity			
Equity		**245,093**	197,828
Total net debt plus equity		**1,099,478**	1,100,242

Notes to the financial statements continued

29. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with wholly owned companies.

During the year the Company had the following transactions with the related parties, who are not wholly owned companies:

Transactions involving Directors and other key connected persons

During the year, the Company paid to Cinven service fees of £0.4 million (2019: £0.4 million) and at the end of the year £0.1 million (2019: £0.1m) was unpaid.

The Company also paid finance commission to Ingenie Services Limited of £1.4 million (2019: £1.2 million) and at the end of the year £0.7 million (2019: £0.6 million) was outstanding. Ingenie Services Limited is related through key management personnel.

The Company has a loan to a Director for £40,000 (2019: £40,000) outstanding, with interest payable at 2.5% per annum, for the purpose of acquiring shares in Pomegranate Topco Limited and remains outstanding at year end.

30. PENSION COMMITMENTS

Contributions to the defined contribution pension scheme during the year were £1.4 million (2019: £1.5 million). At year-end, there were no outstanding or prepaid contributions (2019: £nil).

31. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Vendcrown Limited.

The ultimate parent undertaking at 31 December 2020 is Pomegranate Topco Limited, a company incorporated in Jersey. The consolidated financial statements of Pomegranate Topco Limited are available from Aztec Financial Services (Jersey) Limited, 11-15 Seaton Place, St Helier, Jersey, JE4 0QH. Pomegranate Topco Limited Company is the largest Company of undertakings for which Company financial statements are drawn up and of which the Company is a member.

The ultimate controlling party is the Fifth Cinven Fund which is managed by Cinven Capital Management (V) General Partner Limited.

The Mizzen Mezzco Limited Company is the smallest company of undertakings for which Company financial statements are drawn up and of which the Company is a member. The consolidated financial statements of Mizzen Mezzco Limited are available from Ermyn House, Ermyn Way, Leatherhead, KT22 8UX, England.

32. POST BALANCE SHEET EVENTS

There were no post balance sheet events.

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Premium Credit Limited
Ermyn House
Ermyn Way
Leatherhead
KT22 8UX