PREMIUM CREDIT

Annual Report and
Financial Statements
2021

Creating opportunities through convenient payments

Our purpose

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

2021 highlights

£3.8 billion

Amount of loans originated
+6.6% (2020: £3.6 billion)

£113.8 million

Total income
+2.9% (2020: £110.6 million)

0.07%

Loan loss ratio
-0.11 p.p. (2020: 0.18%)

£54.6 million

Operating profit
+17.6% (2020: £46.4 million)

£75.7 million

Adjusted EBITDA
+£10.6 million (2020: £65.1 million)

2.1 million

Number of loans granted
(2020: 2.1 million)

52.4%

Expense to income ratio
-4.5 p.p. (2020: 56.9%)

11.1%

Total income margin
+ 0.0 p.p. (2020: 11.1%)

Alternative performance measures ('APM'): In the table 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 Adjusted EBITDA. Definitions and reconciliations to statutory financial information can be found on page 36 and the table detailing Adjusted EBITDA reconciliation to our Operating profit on page 39.

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

What's inside

For more information please visit:
www.premiumcredit.com

At a glance

We are Premium Credit, an award-winning specialty finance provider operating in the UK and Ireland.

We provide instalment financing to corporates and individuals, supporting the purchase of insurance policies and other services. Every year, we use our leading, integrated technology to originate over two million loans, lending over £3.8 billion through a network of c. 3,000 partners.

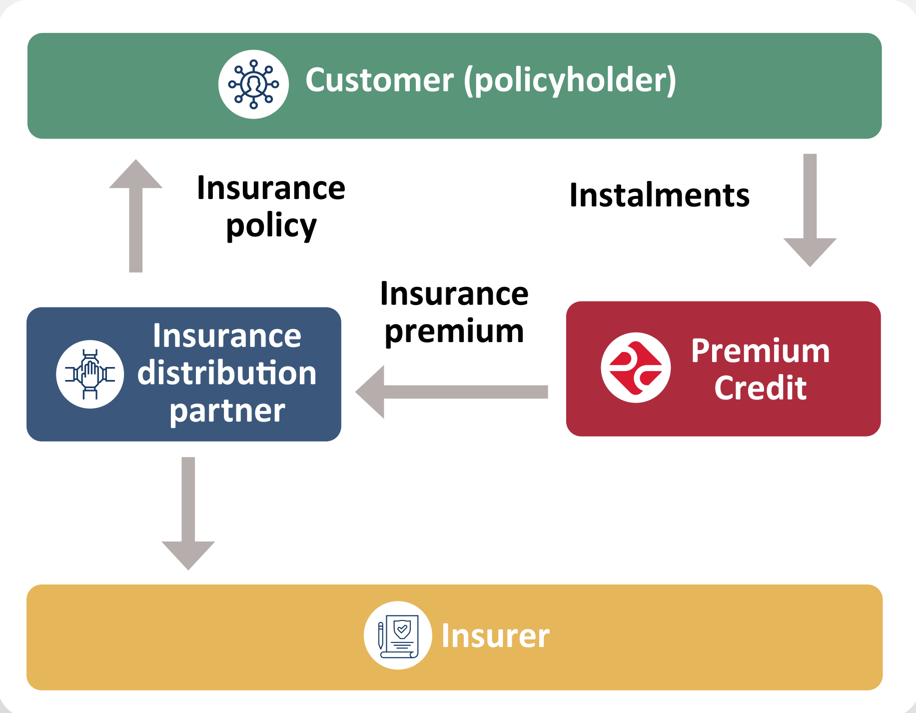
How we do it – example of a journey for insurance premium finance

A customer purchases an insurance policy (or other payment-in-advance service such as school fees) from one of our intermediary partners.

The intermediary partner offers to arrange finance for the payment, enabling the customer to spread the cost of the service.

We fund the intermediary partner, and collect the loan from the customer in monthly instalments.

In the event of 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 customers

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

Our intermediary partners

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

Partners choose to work with us because of our track record of reliable service, our innovative technology that delivers seamless journeys for them and their customers, and our strong focus on regulatory compliance.

Our markets and offering

We work with a diversified network of intermediary partners to provide seamless financing for our customers.

Premium Credit serves two key end markets:

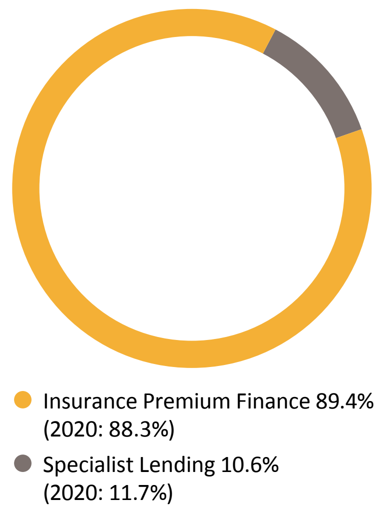
- the financing of insurance premiums ('Insurance Premium Finance')
- the financing of other services, including education, leisure, corporate levies and tax liabilities ('Specialist Lending')

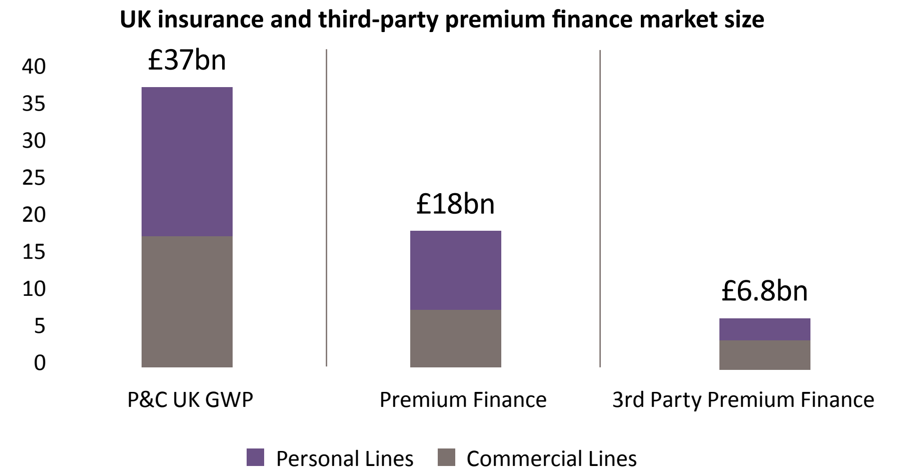
British Insurance Brokers' Association

Association of British Insurers

Brokers Ireland

Income split





Insurance Premium Finance

We provide financing for non-life insurance premiums. The total broker market in the UK for property and casualty premiums, known as gross written premiums ('GWP'), is c. £37 billion. This grows broadly in line each year with GDP. Total funding through premium finance is estimated at c. £18 billion, of which c. £11.2 billion is funded directly by the insurer or partner, with the balance of £6.8 billion funded by third parties such as Premium Credit. 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.

We are one of the market leaders in insurance premium finance, working with over half of our intermediary partners for more than ten years. We continue to increase penetration within our existing broker partner base while driving growth through other partners, such as insurers and affinity partners, seeking to outsource the provision of premium finance due to increased regulatory requirements.

Specialist Lending

Our specialist lending products make important services such as professional memberships and school fees affordable. Tuition fees for independent schools are estimated at £8.4 billion, and the market for tax liabilities is in excess of £200 billion per annum, of which lending through credit brokers represents c. £2 billion.

Our competitors in insurance premium finance are less active in this channel, with competition for these products coming from boutique firms.

Chief Executive Officer's review

Supporting our community of customers and partners.

"Our strategy, our people and our ESG progress give Premium Credit a really positive outlook for the coming years."

Tara Waite | Chief Executive Officer

Despite the far-reaching consequences of COVID-19 continuing throughout 2021, I am pleased to report that this year has proved to be another important step forward in the maturity and development of the Company. Having quickly evolved to effectively manage the impacts of the pandemic in 2020, our ongoing response to the challenges in the market this year felt very much controlled and process-oriented. This has enabled us to move on to important strategy and ESG projects.

Striving to support our customers and partners remains at the heart of everything we do, and I'm proud of the fact that we've become even more responsive to customer and partner needs. This is reflected in another year of strong performance, including an increase in the loans we originated to £3.8 billion (2020: £3.6 billion), in our Total income to £113.8 million (2020: £110.6 million), and in our Adjusted EBITDA to £75.7 million (2020: £65.1 million).

In overcoming the many professional and personal challenges of a second pandemic-affected year, our team have once again demonstrated high levels of commitment and resourcefulness in delivering for all our stakeholders, and I'd like to personally thank them for their hard work and their unwavering application of our values.

Performance

Our business has proven to be extremely resilient during the last year. Despite lockdowns being more severe and lasting longer than anticipated, we delivered a performance not far off our original expectations for the year.

As COVID-19 impacted some sectors more severely than others, we've seen the knock-on effect on certain parts of our business. In motor insurance for instance, where people weren't driving and insurers reflected this in their pricing, this reduced the average size of our loans; or in corporate tax, where the government's offers of payment deferrals and financial assistance meant some of our customers temporarily did not require our services.

In less affected areas we've seen strong growth as our products are increasingly required at a time of uncertainty. As the economy recovers and government support ceases, we expect to see all parts of the business return to strong growth.

£113.8m

Total income
(2020: £110.6m)

Chief Executive Officer's review continued

> "The delivery of the strategy this year has undoubtedly shown the value of our recent tech investments."

Strategic progress

Despite the pandemic, we were able to make great progress in growing our mature broker channel by rolling out our new Premium Programme to the top 13 partners. Partners in the programme have delivered 23% more growth than partners who are not.

We've also been able to make progress in building pipeline for our less mature channels, which includes providing premium finance services to some insurers, self-funding brokers, and affinity players. In specialist lending, where COVID-19 has particularly impacted our tax business, we were still able to grow through new partnerships and also to support our schools customers during a year of uncertainty.

The delivery of the strategy this year has undoubtedly shown the value of the technology investments of recent years. Incorporated into our Premium Programme, our improved technology is an important part of how we increase premium finance penetration and leverage operating efficiency.

We also took the opportunity this year to undertake a significant validation review of the current strategy and to identify further growth opportunities for the future, and you can read more about that on page 16.

Purpose and ESG

Last year was an ideal time to re-evaluate our purpose and values, our customers having come through the most difficult period they've ever experienced. Through COVID-19 we could clearly see what our purpose for customers and partners really was, and could easily demonstrate that we had lived up to it throughout 2020.

This year, it's continued to be validated by our ongoing response as we've understood the evolving impacts on our customers and partners.

Alongside delivering on our purpose and values, we committed to making improvements in our Environmental, Social and Governance (ESG) performance and reporting this year. We dedicated time, energy and resource to identifying our impacts and establishing a framework of our key focus areas. Our ESG progress is owned by a newly established Sustainability Committee, which has representation from across the business and reports into the Executive Committee. Read more about our new approach and performance on page 22.

External validation in such areas is so important, and I'm proud that our progress has been reflected by our Ecovadis rating going from Bronze for 2019 to Silver for 2020, with our Silver rating renewed for 2021 with an improved score.

£75.7m

Adjusted EBITDA
(2020: £65.1m)

Outlook

While it remains a time of uncertainty for many, as customers and partners continue to adjust to the new normal and seek to protect cash for the future, it is a great time for our premium and specialist finance products. Those sectors we saw impacted this year will recover as government support is no longer available, and these market circumstances combined with our strategy and ESG progress give Premium Credit a really positive outlook for the coming years.

We will remain vigilant though, keeping an eye on global supply chain issues, the impact of new virus variants, and the additional challenges Brexit could present for our customers and partners.

We quickly adjusted our operations and ways of working in response to COVID-19 and hybrid working has proven very successful for us. People have responded to the model very positively and we believe there are benefits for both colleagues and for the Company. As we settle further into our new ways of working and the pandemic recedes, we will ensure we continue to focus on our culture and don't lose any of the focus on engagement and wellbeing that was so important last year.

I am confident we will emerge from the pandemic stronger than ever. The key areas of strategic focus for the next year will be delivering on those core objectives that we set for 2023, but also to look for the exciting new opportunities that will deliver growth for the years beyond 2023.

Tara Waite
Chief Executive Officer

Ecovadis Silver renewed for 2021

SILVER 2021 ecovadis Sustainability Rating

Embedding our purpose and values

Our values capture the behaviours and attitudes that are most important to our colleagues and our business.

Our purpose and values

Stand Together
Work together as one team

Stand Out
Embrace originality, courage and passion

Stand Up
Be relied upon to get it done

Stand True
Act with honesty and integrity

Guiding how we deliver our purpose and ambition and underpinning our strategy, our values of Stand Together, Stand Up, Stand Out and Stand True, launched at the end of 2020, help us do the right thing for our customers and partners, colleagues and society.

In order to maximise the impact of our new values, we have been working hard in 2021 to embed these throughout the business.

How our values are being embedded

Our values are present throughout the employee life cycle, from interviews to appraisals.

- Interview questions have been amended to reflect the new values
- Job descriptions are being updated
- Values are included in our induction process so new staff are introduced to them early on
- They are at the heart of our performance management and appraisal processes
- One of the categories in our quarterly Premium Awards is dedicated to our values
- Our Code of Conduct has been updated to include the values
- The values are referenced prominently in our leadership calls

"Strong and clear values are vital to promoting the supportive culture we want. In order for them to be meaningful, they have to be prominent in all aspects of our business."

Sarah Evans | Head of HR

Living our values internally

The 'Values' category at our quarterly Premium Awards recognises outstanding contributions and celebrates team members that have truly lived our values.

In 2021, some of the winners' nominations included:

- "This colleague supports another department with overflow calls – although not her area of expertise, instead of just taking a message, she will try to deal with the call as far as she can. If not sure how to deal with the query she will ask questions so that she is able to deal with a similar call in the future. This supports the team with call efficiency, and provides a better experience for the customer."
- "Our colleague proactively takes additional tasks onboard to help the smooth running of his department. He demonstrates great customer service, and without his commitment to his role we would not have been able to maintain the standard of service our customers have come to expect throughout the pandemic."
- "He delivers outstanding service, always responds quickly to requests for assistance, reviews information and provides timely decisions. Where necessary he will often look at different information to see if there is a way we can help."

Living our values externally

We were delighted to win a number of awards in 2021 which is testament to our values being fully embedded in our daily activities. This included notably:

- The Insurance Choice 'Partner of the Year' award, which helps to deliver increased trust and transparency in the financial services industry and outlines the best firms and products.
- The 'Credit Provider of the Year (Commercial)' at the National Credit Awards, which celebrate and promote best practice and continuous development. Our winning entry focused on the provision of innovative credit solutions for Credit Broker customers during the pandemic.
- In 2021, we also became a member of the Institute of Customer Service, which has objectives and values aligned to ours, particularly around the concepts of 'Stand Up' and 'Stand True'.

The Institute of Customer Service
MEMBER

Purpose and values in action

Stand together

Proudly supporting our intermediary partners

Supporting customers and partners is our purpose, it's why we're here.

Simply Business

One of our key partners is Simply Business, who are one of the UK's largest business insurance and landlord insurance providers. Premium Credit enables Simply Business's customers to spread their insurance payments, increasing convenience, access and affordability. It's a service that many Simply Business customers use and value.

Building on a long-standing partnership, Premium Credit has gone above and beyond to help Simply Business support its own customers during the COVID-19 pandemic, according to Simply Business UK CEO Alan Thomas.

"In looking at ways to help the customers who were most financially affected by the pandemic, Premium Credit actively suggested lots of ideas and solutions. They've also been proactive in suggesting ways we can improve the journey between buying a policy and arranging the payment more generally."

The ongoing support we provide also includes a quarterly meeting in which Tara and other commercial members of the ExCo check in with Simply Business and present performance and market insights.

"They always make the effort to listen to what we're experiencing and suggest a way forwards. The broader market insight Premium Credit are able to provide is really helpful to us."

Arch

After acquiring the business in late 2018 without a Credit Lending or Credit Broking Licence, Arch were unable to offer existing clients an instalment payment option, exposing a potential loss of business.

We worked with Arch to provide them with an interim solution whilst they obtained their Licence in 2019, during which time they maintained their target levels of retention.

We have supported Arch with their strategy to transform Premium Finance into an income stream and the value of premiums being financed has grown by 80% in the three years we have been working together.

The Post Office

"Premium Credit were very supportive in the migration of our customers from a third party to their systems. They were collaborative in the design and implementation of a simple solution to ensure that both parties' requirements were met, with no detriment to customers."

Mark Fell, Senior Product Manager, The Post Office

Purpose and values in action

Stand Up

Proudly supporting our customers

At Premium Credit we're obsessed with delivering great service to our customers and partners, and that starts by continually listening to them to help us to further improve our products and service. As a result, we are able to enhance their user experience, drive performance and protect partner brands.

We also recognise that each customer will have individual needs and challenges, so we focus on strong customer outcomes. This is reflected by our customer satisfaction scores and our 'Excellent' rating on Trustpilot.

Here are some recent testimonials received from our customers:

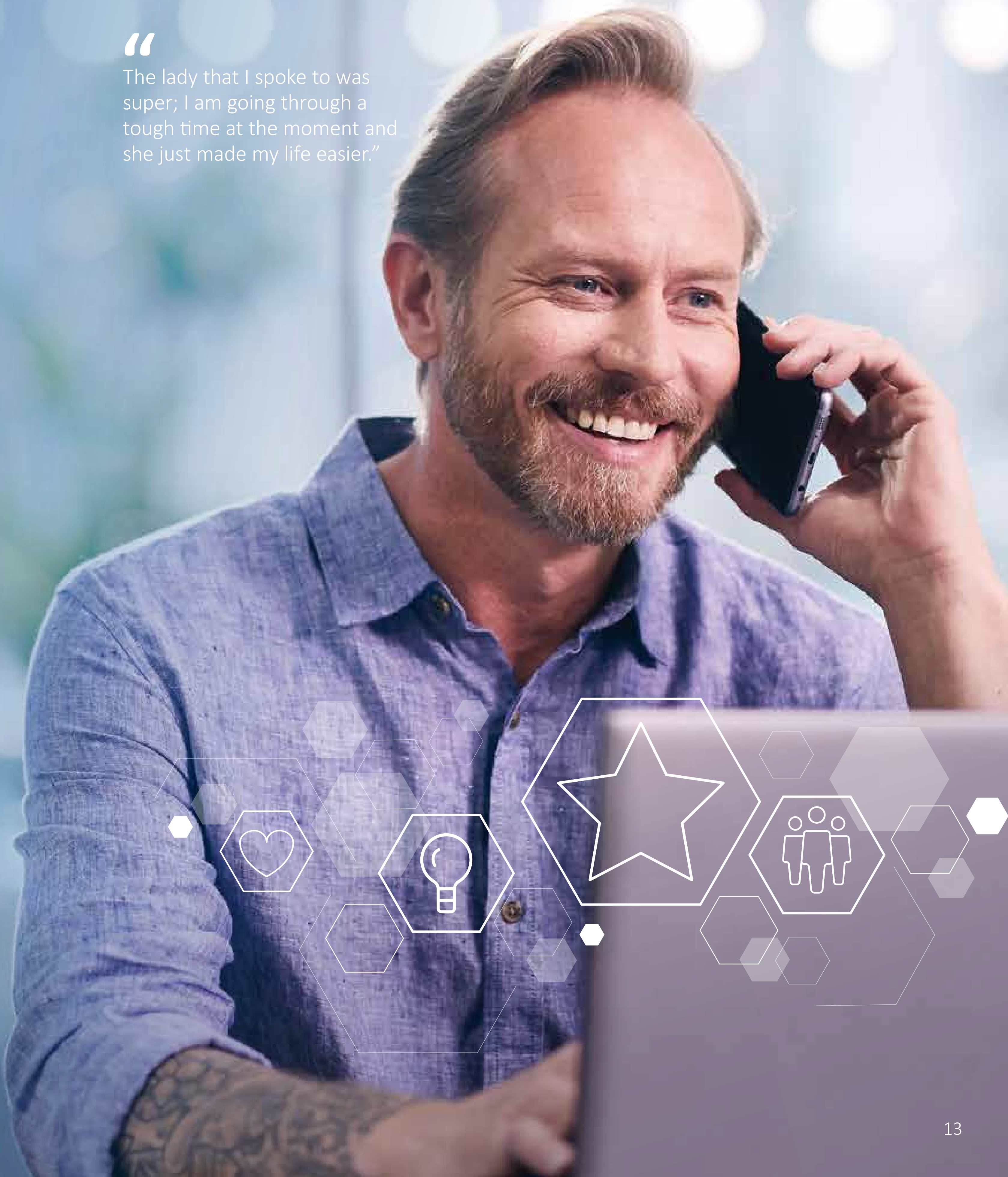
"I made an enquiry today regarding my insurance, I spoke to a member of staff called Heather, who was absolutely fantastic, to the point, very knowledgeable and resolved my query in a matter of minutes. I am really impressed with the service that I was given today."

"I had a problem with my bank regarding your direct debit which they rejected. Your agent made it very easy, quick and simple for me to change account details for my new direct debits to be set up with you. Very pleased and an enjoyable discussion, thank you very much."

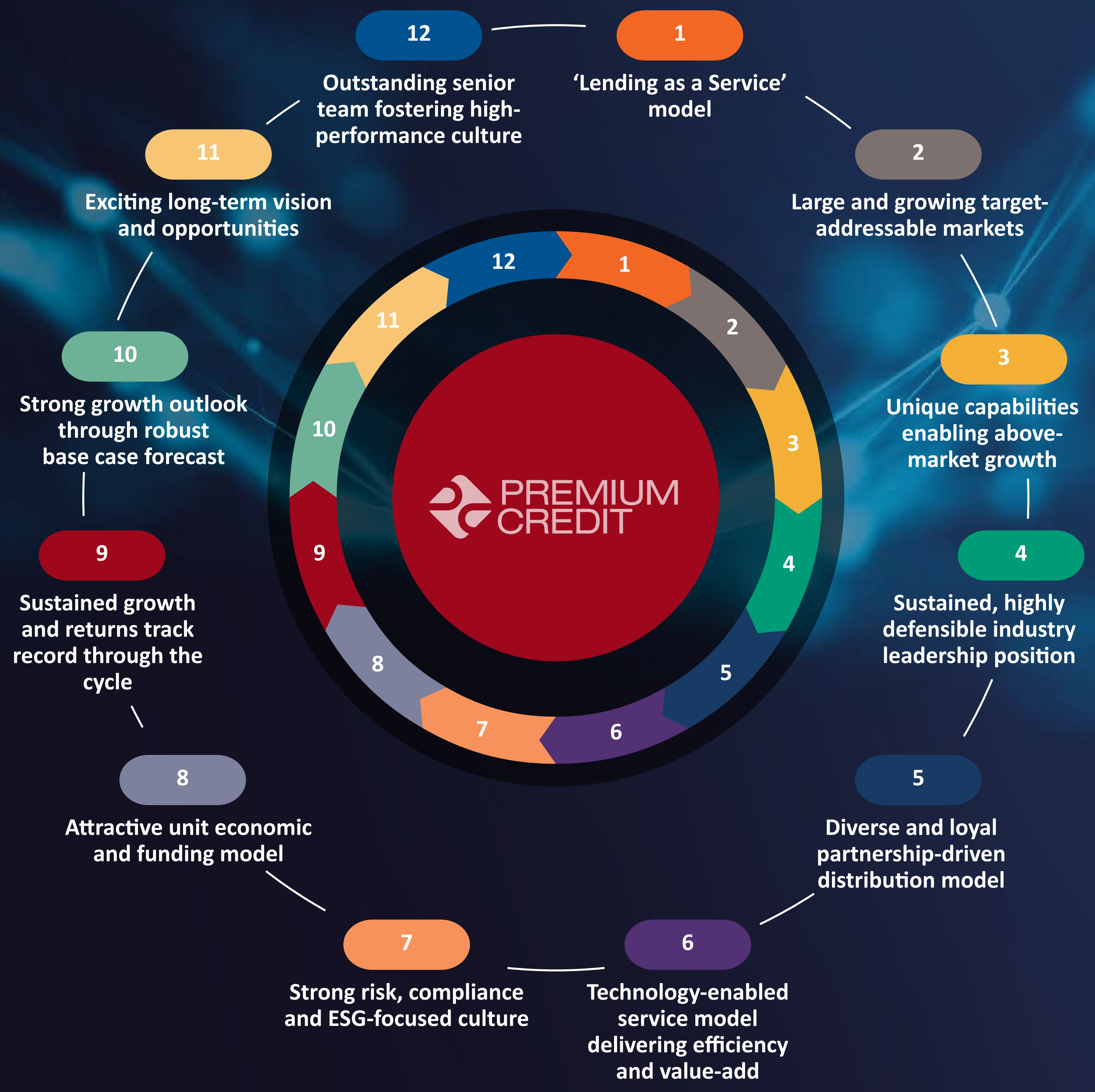
88%

Customer satisfaction score (Target: 80%)

"The lady that I spoke to was super; I am going through a tough time at the moment and she just made my life easier."



Our business model



1

'Lending as Service' model
We offer point-of-sale finance for a range of either mandatory, business critical or high priority services, through a network of intermediary partners. We provide finance to over 2 million customers a year. Our customers and partners rank highly the quality of our service (+72 Net Promoter Score, 4.6 Trustpilot score in 2021), and value the compliance assurance, data analytics and technology integrations we bring them.

2

Large and growing target-addressable markets
Our future growth is underpinned by a combination of positive trends in the markets we service, our own actions to seek new channels into our existing markets, and increasing finance penetration with our current partners.

3

Unique capabilities enabling above-market growth
We are well-positioned to grow at rates in excess of the market given our core capabilities and strong momentum in the areas of data analytics, product flexibility and attractive commercial propositions.

4

Sustained, highly defensible industry leadership position
Multiple barriers to entry include our scale, technology, regulatory licences, diversified funding, and a wide range of closely held relationships with intermediary partners with whom we enjoy a deep technology integration.

5

Diverse and loyal partnership-driven distribution model
We partner at scale with intermediaries and create value for a diverse and loyal distribution base, enjoying strong advocacy and significant growth.

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. With over 2.1 million customers annually, from consumers to large corporate clients, our customer base is also large and extremely diversified.

6

Technology-enabled service model delivering efficiency and value-add
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, including the affordability checks we carry out.

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.

7

Strong risk, compliance and ESG-focused 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 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 can still serve customers through more traditional channels when required.

Sustainability requirements in most sectors continue to evolve, and we are committed to being a force for good. Our Sustainability Committee leads on all ESG activities, setting our priorities and monitoring progress.

8

Attractive unit economic and funding model
We generate attractive net income through a combination of market-level interest margins and low credit losses. Our loss rates are significantly lower and less volatile than other forms of consumer finance, notably through a number of layers of credit protection embedded in the majority of our products. Our credit loss rate in 2021 averaged 0.07% of the amount of loans originated (2020: 0.18%).

We have developed a flexible funding structure, which is diversified across banking and capital markets and results in stable, low cost of funds reflecting market-wide appetite for high-quality credits. Finally, we benefit from an efficient and leverageable expense base.

9

Sustained growth and returns track record through the cycle
We have demonstrated robust top-line growth, attractive and stable income margins and consistently low credit losses irrespective of underlying macroeconomic conditions. Adjusted EBITDA has grown with minimal volatility from £42.3 million in 2012 to £75.7 million in 2021.

10

Strong growth outlook through robust base case forecast
The strategy is underpinned by our strong current performance, with robust top-line growth assumptions driving a continued growth in Adjusted EBITDA.

11

Exciting long-term vision and opportunities
Numerous potential upsides exist beyond our base case strategy, including additional specialist segments (home improvement, health), additional SME lending (asset-based lending), instalment finance platforms further leveraging our tech, or inorganic growth through acquisitions.

12

Outstanding senior team fostering high-performance culture
Our Executive Committee and Senior Leadership Team are experienced, driven individuals with expertise across consumer finance, insurance and technology. They are driven by our refreshed purpose and values which foster a unique culture with high levels of staff engagement.

Our strategy

Our vision is to be the leading provider of instalment finance for the insurance industry and other specialist lending sectors in the UK and Ireland.

We will achieve this through superior service, technology and distribution relationships. In 2020 we introduced revised objectives, KPIs and pillars, as well as a new purpose and new values. This year we have made great progress against those strategic objectives.

2021 strategic review

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. This year we used the services of a large external consulting firm to undertake a thorough review of our existing strategy. The objectives of this project were to:

- Review our current 2021 to 2023 strategy, highlighting gaps and potential opportunity areas and the route to establishing them over the next six to 12 months
- Identify the most promising three to five year growth opportunities
- Define a roadmap to deliver these 2025 growth opportunities

Its conclusion was that our 2025 ambition is in line with our vision and builds on our solid foundations. Future growth opportunities beyond 2025 were also scoped and initial plans formulated.

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

Our strategy continued

Progress against our strategic objectives in 2021.

Out-grow in our markets

- We rolled out our 'Premium Programme' for our top strategic partners. Partners in the programme are growing 23% faster than those not in the programme
- We continued to enjoy 99% partner retention rate
- New product offerings were developed in our premium finance personal lines business, enabling us to originate loans without recourse to the intermediary partners. The first partner for this product was won and onboarded in 2021
- We won our largest ever Specialist Lending intermediary partner
- We are converting over 100 schools fee intermediary partners into appointed representatives to ensure best-in-class regulatory compliance

Out-earn in our markets

- We have improved both the flow and the segmentation in our commercial underwriting, supporting significant improvements in our processes
- In parallel, a proactive management of underwriting rules and customers in arrears is delivering excellent post-default credit performance
- A new pricing management strategy was established this year, which has delivered Total income margin growth year-on-year

99%

Partner retention rate

Our strategic pillars

Our Out-grow and Out-earn objectives are supported by our three strategic pillars, all underpinned by our market-leading technology enabling further growth in future years.

Frictionless digital journeys

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

This year we continued to focus on the simplification of core systems and closing gaps in our ancillary services. Through an extensive number of workshops, our frictionless customer journey workstream is striving to better understand customer and partner needs across their respective Premium Credit journeys.

Supported by a thorough assessment of our systems architecture, we elevated this work to a group of our strategic partners and formed the Premium Programme, which strengthens our strategic relationship across the many facets of our partnership. Through quarterly business review meetings, we were also able to migrate many partners to our latest real-time integration services, with clear plans to accelerate partners moving to our best technology in 2022.

Actionable Insight

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

The Actionable Insight programme has delivered significant advancements in the availability of data and data insights, notably through cloud-based tech. This enables partners to be more informed with regards to their business, the market and their performance.

These enhanced reports were delivered through our quarterly business reviews which have been fundamental to bringing the Premium Programme to life and driving increased penetration and growth with our IPF UK Partners. We continue to deliver additional insights to optimise performance.

Flexible operating model

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

Following the success of our remote working model from the onset of the pandemic, we plan to move to a hybrid working model once the pandemic subsides, whereby remote working is supported by in-person meetings to optimise collaborative interactions. Our flexible operating model is being built on a scalable and supportable solution that meets both current and future needs.

Our strategy continued

Our focus on technology

Technology is at the core of Premium Credit's key competencies, underpinning our customer journeys, partner relationships and operating excellence.

For our customers, this means frictionless journeys and a transparent, digital-led experience. For example, data enrichment minimises the information request burden on our customers, and streamlines their onboarding. A web bot was also introduced this year to support common queries with greater efficiency.

We enable our intermediary partners to transact quickly and efficiently across APIs and technology integrations. In-depth customer analytics help our partners increase the penetration of our products.

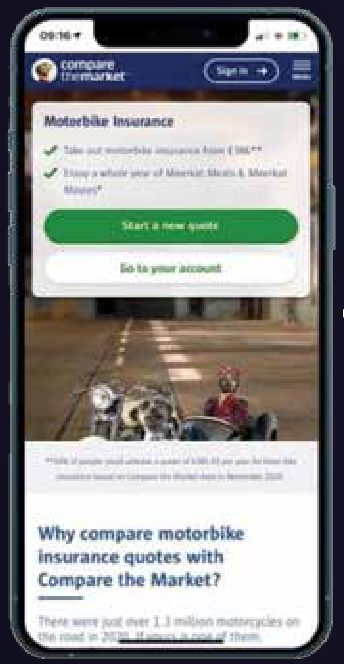
As a company, technology brings operating efficiency and scalability, where the majority of customer onboarding and subsequent service journeys are automated. It also allows us commercial and strategic flexibility, with a capability to design products that meet our partners' needs on a short timeframe. Finally, our underwriting engine is seamlessly integrated into our tech framework, enabling rigorous and real-time responses.

Our platform architecture has adopted the latest technologies, with significant investment between 2015 and 2020. It is built to last, and offers significant operating leverage going forward; our platform is composed of a mix of proprietary tech, third-party tech and partner tech, including insurance software houses.

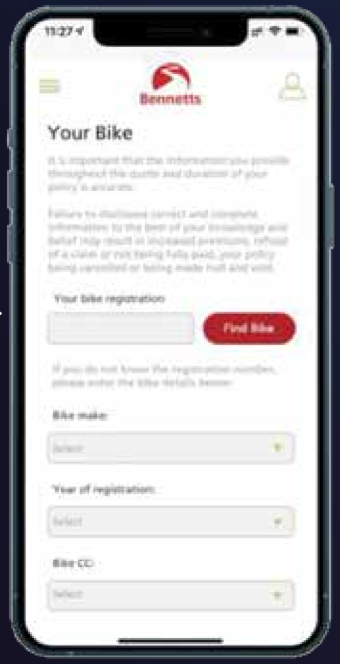
We currently operate a hybrid cloud infrastructure model, with full transition to the cloud expected by the end of 2023.

We have continued to invest significantly in cyber security controls, tools and services. Our primary focus is on prevention, supplemented by comprehensive monitoring to detect potential threats.

Seamless link into insurance sales journey (generally online)

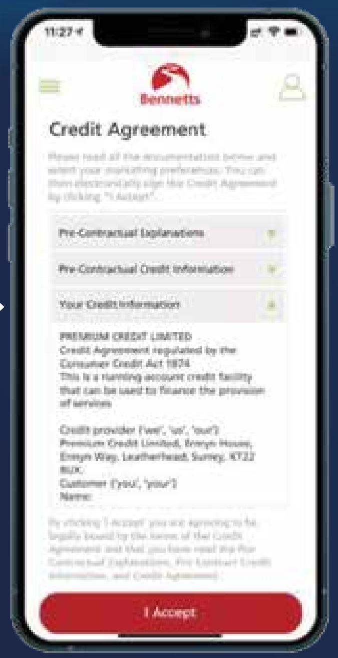


Flexible and scalable integration into partner systems

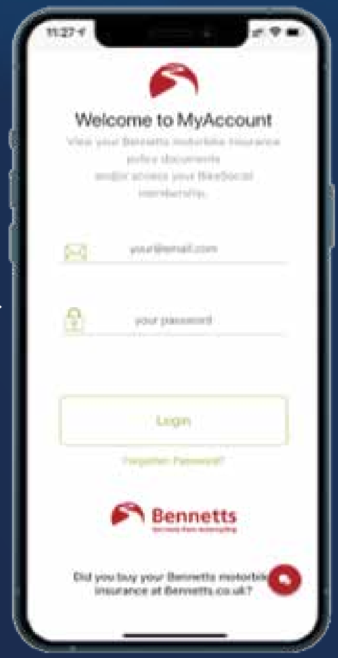


Real-time risk assessment using scalable, compliant platform

Full digital viewing and signing of regulatory documentation



Self-service capability, embedded into partner journeys



ESG report

Premium Credit believes in a responsible approach to business

Our evolving approach

We have a history of doing the right thing and taking a responsible approach to business. We're a purpose-led company with strong culture, strong values and a demonstrable record of prioritising our customers, partners and colleagues, alongside our investors.

Sustainability requirements in most sectors, including financial services, continue to evolve, and we are committed to being a force for good. Following our annual review by Ecovadis and our own risk assessments, we recognised the need to establish an enhanced Environmental, Social and Governance ('ESG') framework. To ensure it was based on a robust understanding of our material issues and impacts, we undertook research into a number of areas.

Firstly, we looked to the requirements of the Task Force on Climate-related Financial Disclosures ('TCFD') and the dedicated industry standards provided by the Value Reporting Foundation ('VRF'), with a view to start aligning to those. We also performed a peer and industry gap analysis to understand what others in our space are doing. These external insights and perspectives provided a strong initial list of material topics for our business, but we also looked at sustainability trends more broadly and decided to supplement those with other areas that are important to us, like diversity and inclusion and maintaining our track record of philanthropy.

Having formalised our new ESG framework, our next steps are to identify further initiatives and KPIs for our focus areas, maintain our assurance through Ecovadis or an equivalent external assessment, and adopt the TCFD and SASB standards framework in full.

ESG agenda management

Ownership and responsibility for driving performance in our key ESG focus areas is vital. Having reformed our CSR Committee last year, this year it was evolved into a new Sustainability Committee, dedicated to furthering our ESG agenda.

The Sustainability Committee leads on all ESG activities, setting our priorities and monitoring progress. The Committee is a sub-committee of the Executive Committee, meets on a monthly basis and features representation from many parts of the business. Membership of the Committee is shown in the framework opposite.

Our ESG framework

Environmental

Primary focus

- Greenhouse Gas Emissions ('GHG')
- Climate Change

Sustainability Committee Members

Change & Services Director
Head of Accounting
Strategy, Marketing & Communications Director

See pages 28-29 for more information

Social

Primary focus

- Customer Privacy
- Data Security
- Access & Affordability
- Selling Practices & Product Labelling
- Employee Engagement
- Diversity & Inclusion
- Training & Education

Sustainability Committee Members

Chief Operations & People Officer
Head of Human Resources
Operations Director
Chief Information Security Officer

See pages 30-31 for more information

Governance

Primary focus

- Business model resilience
- Supply chain management
- Business ethics
- Competitive behaviour
- Legal & Regulatory Environment Management
- Critical Incident Management
- Systemic Risk Management

Sustainability Committee Members

Head of Risk & Compliance
Head of Treasury & Investor Relations
Head of Legal & Company Secretary

See pages 32-33 for more information

ESG report continued

Our journey

Environmental
Social
Governance
CSR
ESG

2015

2015 – 2019

The CSR Committee focused on raising money for elected good causes, giving a focus on a philanthropic approach.

2019 – First Ecovadis assessment

During a tender process for a new client in 2018 - 19, we were asked to provide independent assurance regarding our sustainability activities. We selected Ecovadis, a global provider and respected ratings platform. Following completion of the assessment, we were awarded a Bronze rating. Their guidance on our strengths and weaknesses contributed to subsequent progress.

2020

2020 – Cultural dashboard created

A cultural dashboard was developed to better monitor, measure and report on our collective efforts against 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.

2020 – CSR Committee reformed

In late 2020, we refreshed our Corporate Social Responsibility (‘CSR’) Committee, to broaden our philanthropic endeavours and focus on core areas of our CSR strategy, namely people and culture, community and environment, as well as governance and ethics.

2020 – Alzheimer’s Society partnership

We entered into a partnership with the Alzheimer’s Society and ‘Insurance United Against Dementia’. In addition to raising funds, we educated our colleagues through Company-wide awareness sessions and provided ‘Dementia Friends’ training to over 20% of our colleagues.

2020 – Second Ecovadis assessment

We completed our second Ecovadis assessment and our progress was validated by our rating rising to Silver for 2020.

2021

2021 – Sustainability Committee formed

The new Sustainability Committee, dedicated to furthering our ESG agenda, was formed in July 2021, and our CSR Committee absorbed into the new broader approach.

2021 – Sustainability framework created

We formalised a new framework, committing to a broader range of ESG topics based on a robust materiality assessment. The framework is owned and driven by the Sustainability Committee.

2021 – Activities to start alignment to TCFD and VRF

We have identified initiatives and activities that are relevant to our industry and our business, and have developed a roadmap to deliver.

In 2021, our Ecovadis rating was also renewed as Silver, with an improved score.

2022

2022 – ESG compliance target

We have established an overall programme roadmap to the end of 2022, when we aim to have met our target ESG compliance level.

ESG report continued

Our 2021 performance

Ecovadis benchmarking survey

In order to validate our progress in ESG, independent assessments are vital. This year was our second assessment by Ecovadis, the globally respected ratings platform assessing corporate social responsibility and sustainable procurement.

Ecovadis awarded us a 'Bronze' rating for 2019, and compiled a list of improvement areas that we have focused on ever since in the development of our approach to ESG matters.

Thanks to the unwavering commitment of our Board, senior leadership and all our employees, this resulted in an award of a 'Silver' rating for 2020, with an overall score of 61/100.

We were delighted that our Ecovadis rating was renewed as 'Silver' for 2021, with an overall score of 63/100. This confirmation, and the increase in our score, recognise the continuous progress we've made.

2019 Overall Score

2021 Overall Score

Our cultural dashboard

Our cultural dashboard was established in 2020 to enable better understanding and measurement of our responsible business performance. It 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 ESG strategy. Compiled and monitored at an executive level, it is also presented to the Board on a quarterly basis.

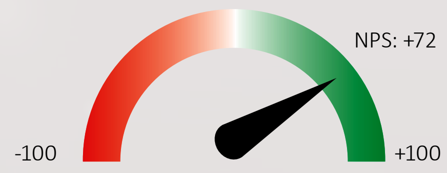
The dashboard is focused on four areas of performance:

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 2021
- Developed service dashboard to help consolidate the various key metrics actively sought for our Customer & Partner Satisfaction
- NPS was introduced, measured against the comparable NPS in the market, where the NPS annual was more qualitative feedback direct from our partner
- Introduced a Google scoring system
- Became a member of the Institute of Customer Service

Key metrics
- Customer satisfaction (CSAT): 88% (target: 80%)
- Partner satisfaction (PSAT): 91% (target: 80%)
- Trustpilot score: 4.6 (target: 4.5)
- Net Promoter Score (NPS): +72 (target: +60)



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 2021
- Completed annual engagement survey
- Conducted extra pulse surveys for measuring colleague wellbeing and working from home during COVID-19
- A number of well-being initiatives were introduced to help with remote working – Zen Room, coffee roulettes, cooking competitions etc – all were well received and contributed to the 'togetherness' of remote working

Key metrics
- Annual engagement survey results
  - Engagement score: 71% (2020: 78%)
- Glassdoor score: 4.2 (target: 4.0)
- Employee turnover: 19.1% (2020: 14.4%). Turnover has increased nationally following on from the pandemic, bringing both challenges in recruitment, but also opportunities to recruit from further afield through our hybrid working model
- Absence ratio: 1.6% (2020: 1.5%). Absenteeism remains below pre-COVID figures, which reflects in part the support provided by line managers, the HR team and our mental health first aiders

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 2021
- Corporate Social Responsibility ('CSR') Committee evolved into Sustainability Committee
- Carried out our stakeholder engagement programme
- Developed roadmap for 2022 and beyond

Key metrics
- Annual Ecovadis benchmarking survey result for 2021: Silver rating, score of 63/100

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 2021
- Reviewed recommendations from our external audit partner
- Ongoing mandatory training as part of our learning management system
- Delivered annual performance reviews
- A pulse survey, which revealed improvements on quality of training delivered in 2021
- Completed Future Operating Model workshops to inform organisational design

Key metrics
- Compliance training completion: 100% (2020: 100%)
- Performance review completion rate: 100% (2020: 100%)

ESG report continued

Environmental

We have increased the monitoring of our environmental impact, seeking to improve our processes and reduce our carbon footprint.

Environmental

Primary focus

- Greenhouse Gas Emissions ('GHG')
- Climate Change

Greenhouse Gas Emissions ('GHG')

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.

Over the course of 2021, Premium Credit's operations have seen a 5.2% reduction in carbon emissions due to reduced occupancy in the offices. While this primarily reflects our adherence to government-mandated restrictions under its response to COVID-19, we have also taken steps following the implementation of our hybrid working model, to reduce the surface usage in both our UK and Ireland offices.

Whilst this has also prevented Premium Credit from undertaking any broader initiatives to reduce our energy consumption, in 2022 we plan to progress initiatives to enhance our approach to the management of our energy usage and in turn our GHG emissions.

Note that in the table below, emissions for 2020 have been restated against those reported last year as we have been able to obtain a richer level of data in respect of our gas energy usage. Prior to restatement, our 2020 gas energy figures were 502,548 kWh, equivalent to 92.4 tCO_2e.

	Premium Credit Limited			
	Energy (kWh)		Emissions (tCO2e)	
	2021	2020 (restated)	**2021**	2020 (restated)
Electricity	**618,055**	656,669	**131.2**	153.1
Gas and generator fuel	**147,000**	119,607	**27.1**	21.9
Transport fuel – Business travel in company cars or employee-owned vehicles where Company is responsible for purchasing the fuel	**242,128**	221,059	**59.6**	54.8
Total	**1,007,183**	996,795	**217.9**	229.8
Intensity ratio: kWh and tCO2e / sq. ft. occupied floor area	**23.93**	23.68	**0.00518**	0.00546

Climate Change / Environmental TCFD

We will be looking to align our Environmental road map with the requirements of the Task Force on Climate-related Financial Disclosures ('TCFD') with the aim of identifying the risks and opportunities for our business ahead of the timelines set out by the UK government at the end of 2020.

We are focused on the following areas in particular:

- Board oversight of climate-related risks and opportunities
- Integrating processes for identifying, assessing and managing climate-related risks into Premium Credit's overall risk management
- Set metrics to assess climate-related risks and opportunities

5.2%

Decrease in GHG emissions 2020 to 2021

53%

Office surface usage reduction 2020 to 2021

ESG report continued

Social

We are aware of the contribution we can make in creating a fairer society, and are committed to having a positive impact on our employees, customers and partners.

Social

Primary focus

- Customer Privacy
- Data Security
- Access & Affordability
- Selling Practices & Product Labelling
- Employee Engagement
- Diversity & Inclusion
- Training & Education

Customer Privacy and Data Security

We understand our responsibility to manage our customers' data correctly. With our overall move to a hybrid working model, we have increased our focus on information security. We have invested in cyber security and training and campaigns to ensure that staff are 'cyber aware'. We also have a programme of third-party assurance for both the governance and the technical infrastructure of our cyber security, and hold an insurance policy against cyber incidents.

Access & Affordability / Selling Practices & Product Labelling

In recent years we have worked to assess the affordability of our products and increase access for a wider range of customers. We have continued to work hard to identify and understand our vulnerable customer base in particular. Through our partnership with Insurance United Against Dementia, we were able to increase our awareness of some of these issues. A cross-function working group dedicated to customers who show signs of vulnerability spent a number of months making improvements, including rolling out capability training for our teams, improving the accessibility of our website and more.

Employee Engagement

Our annual employee survey found that engagement remains very favourable, although it is down year-on-year. Our employees continue to appreciate the support and direction from their line managers and the interactions with their colleagues. The score also reflects Premium Credit continuing to live by its purpose and values, and the work that has been done to embrace a diverse and inclusive culture. However, the slight decline year-on-year also reflects the timing of the survey which was issued during a period of structural and people changes.

We continue to regularly engage with employees through monthly Executive Committee updates and quarterly 'Town Halls'. Those focus on wellbeing during the pandemic and working from home, as well as business updates. We also use those updates to achieve a common awareness of all employees in relation to the financial and economic factors that affect the performance of the company.

Diversity & 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.

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 our Equality, Diversity and Inclusion Council has organised awareness training for senior staff and across the business, as well as a number of all-Company sessions and presentations on a variety of different D&I topics. We've also enhanced our policies and processes to incorporate more gender-neutral and family-friendly practices. We also joined an external committee with some of our partners dedicated to diversity and inclusion, and we've had guest speakers talk to our employees on these issues.

Training & education

We approach training and education 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. At the heart of our training is our competency leadership model, which was launched this year. It is incorporated in our performance appraisals and bonus programmes.

Our established learning management system and online training platform were again very successful in maintaining delivery of all compliance training in 2021 despite the impact of the pandemic.

In response to COVID-19 and the new ways of working that have been established, our future leaders programme has been further developed with a focus on how to lead in a remote setting. Productivity cards have also been launched to ensure employees know the contribution they are making.

Succession & Talent Management

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

Attraction & Selection

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

Measure & Appraise

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

Learning & Development

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

Reward & Recognition

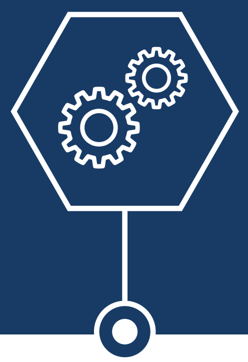
All of Premium Credit's reward and recognition programmes align to our values, rules, and competencies framework and accurately reward and recognise performance

ESG report continued

Governance

Premium Credit operates as a responsible employer and partner, whose corporate values and policies enable us to conduct business in an honest, open and ethical manner.

Governance



Primary focus

- Business Model Resilience
- Supply Chain Management
- Business Ethics
- Competitive Behaviour
- Legal & Regulatory Environment Management
- Critical Incident Management
- Systemic Risk Management

Business Model Resilience

Premium Credit continuously reviews the resilience of its business model, from externally led strategy reviews, to a nimble underwriting approach. This is underpinned by regular reviews of our credit exposure by industry. We are also reflecting on how to best incorporate ESG factors in our credit analysis going forward.

Supply Chain Management

We are focused on ensuring a responsible approach to our procurement processes and contract management, and that our suppliers match our approach to labour, human rights and more. Ethics and sustainable procurement are monitored as part of our Ecovadis dashboard, and we're working to address identified issues around the availability of our ethics and sustainable procurement policies, documentations and established measures in these areas.

Business Ethics

We respect human rights as defined under the European Convention on Human Rights. Premium Credit published its latest statement on modern slavery during 2021 in accordance with the requirements of the Modern Slavery Act 2015. There have been no alleged breaches of the Modern Slavery Act during 2021. Labour and human rights are also monitored as part of our Ecovadis metric dashboard.
Premium Credit categorically condemns all instances of bribery and corruption, harassment, bullying and discrimination. We have established whistleblower policies and procedures in place.

Competitive Behaviour

We strongly believe in working in a healthy and fair environment. We have not had any losses as a result of legal proceedings against us associated with fraud, insider trading, anti-competitive behaviour, market manipulation or other financial industry laws.
Premium Credit is also committed to complying with UK tax law and practice. We aim to ensure that our tax arrangements remain consistent with a low-risk appetite, both in financial and reputational terms. We are committed to full compliance with our tax obligations. Our tax strategy is published annually on our website.

Legal & Regulatory Environment Management

We closely manage risks and opportunities surrounding our legal and regulatory environment, notably through our FCA regulatory requirements such as the Senior Manager & Certification Regime ('SMCR'), the Senior Management Arrangements, Systems and Controls Sourcebook ('SYSC'), Treating Customers Fairly ('TCF') and Conduct Risk. The same applies in our engagement with regulators to avoid cases where conflicting corporate and public interests may have the potential for long-term direct and indirect environmental or social impacts. We monitor the evolution of our legal and regulatory framework and undertake regular scheduled training.

Critical Incident Management

The identification, assessment and reporting of incidents is a key component of Premium Credit's risk management processes and an important part of evidencing compliance with regulatory requirements, protecting our customers, driving efficiency and protecting our reputation. We set high standards in identifying, assessing, managing and reporting incidents. The handling of incidents is driven by our Business Continuity Policy. In response to a major or critical incident, clear and regularly tested processes are invoked, such as the Incident Management Team (mobilising the Business Response and Incident Response teams where required) and if necessary, the Contingency Management Team.

Systemic Risk Management

Premium Credit incorporates mandatory as well as voluntary stress tests into its capital planning and long-range plan, as well as in a range of other activities such as service centre capacity planning. The firm's liquidity and ability to absorb losses is also tested through reverse stress testing. Over the course of 2020 and 2021 as an action from these stress tests, we gradually amended our funding facilities to counter systemic default and interest rate risk outside the short-term effects of the COVID-19 pandemic.
Stress tests are reported and reviewed in a number of forums such as the Asset & Liability Committee, the Executive Risk Committee, or the Board's Audit, Risk and Compliance Committee.

ESG report continued

Composition of the workforce

We had 391 employees working in the UK and Ireland (excluding the Chair and Non-Executive Directors) at the end of the year (2020: 378). The below table shows the gender diversity at that time:

	2021		2020	
	Men	**Women**	Men	Women
Board	87%	13%	87%	13%
Executive	71%	29%	75%	25%
Senior managers	76%	24%	82%	18%
Other employees	47%	53%	50%	50%

Gender pay gap

The Company has calculated its gender pay gap as at April 2021. 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 2021.

	Difference between men and women (Mean)		Difference between men and women (Median)	
	2021	2020	**2021**	2020
Hourly rate (this is a prescribed calculation based on fixed pay)	32.7%	30.8%	37.7%	36.5%
Bonus amount	51.1%	60.1%	39.2%	38.4%

396 employees

average number during 2021
(2020: 399)

The 2021 mean and median gender pay gaps based on hourly rate, saw slight increases of 1.9p.p and 1.2p.p respectively. However the mean gender pay gap based on bonus saw a significant improvement of 9p.p. Whilst we are pleased with our progress on the bonus mean gap, which shifts from men being paid 60.1% more bonus than women in 2020 down to 51.1% more bonus than women in 2021, we recognise there are still opportunities to improve.

The underlying reason behind the gender pay gap is predominantly due to the lower representation of women in senior leadership positions and in IT roles within the business. The bonus gap will also be impacted 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. Reducing the gender pay gap continues to be a focus of the Equality, Diversity & Inclusion Council which has a clear roadmap of initiatives being rolled out in 2022 to further reduce the gap.

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 2021 was 7.2 years (2020: 7.0 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.

“We are pleased that the mean bonus gap has reduced but recognise there are still opportunities to improve.”

Josie Pileio, Chief Operating and People Officer

Key performance indicators

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

KPI	Definition	Performance commentary	
Total income	Net interest income (£97.5 million) plus fee income (£19.9 million) minus commission expense (£3.6 million).	Our Total income grew by 2.9% year-on-year, driven by an increase in interest income following the growth in loan origination, as well as an increase in fee income.	'21 £113.8 '20 £110.6 '19 £108.1
Total income margin	Total income (£113.8 million) divided by Average funded receivables (£1,026 million).	Total income margin remained stable in 2021 with our Total income increasing in line with our average funded receivables balance.	'21 11.1% '20 11.1% '19 11.0%
Risk adjusted income	Total income (£113.8 million) minus Net credit losses (£2.7 million).	Our Risk-adjusted income continues to improve as the growth in Total income is complemented by an exceptional credit performance in 2021 as Net credit losses decreased by 58% year-on-year. This reflects our strong underwriting performance, and a benign credit environment supported by government assistance schemes for part of the year.	'21 £111.1m '20 £104.2m '19 £102.2m
Adjusted 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 the table detailing reconciliation to our Operating profit on page 39.	The increase in 2021 is primarily driven by an increase in Total income, reduced credit losses and provisions, and a reduction in administrative expenses reflecting our strong operating leverage.	'21 £75.7m '20 £65.1m '19 £67.1m
Loan loss ratio	Net credit losses relating to 2021 activity (£2.7 million) divided by the Amount of loans originated over the year (£3.8 billion).	The credit quality of the loan book remains strong, driven by the layers of credit protection embedded in the majority of our products, and the short duration of our loan book. Since the onset of the COVID-19 pandemic, each loan in our book has been renewed, allowing for updated underwriting criteria to be applied.	'21 0.07% '20 0.18% '19 0.17%
Amount of loans originated	Total value of loans granted over the year, net of cancellations and mid-term adjustments.	Our origination grew by 6.6% despite certain sectors continuing to be impacted by COVID-19 restrictions and the impact of government support measures, driven by the mandatory nature of insurance and increasing penetration of our products with our intermediary partners, notably through the Premium Programme.	'21 £3,822m '20 £3,587m '19 £3,520m
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.	The average funded receivables balance increased by 2.9% in 2021, reflecting both the growth in the amount of loans originated (6.6%) and the timing of that growth, which was more pronounced in the second half of the year, post lockdowns.	'21 £1,026m '20 £997m '19 £986m
Securitisation Programme size and utilisation	The total amount of funding available at year-end through our Securitisation Programme, and amount utilised at that date.	Having refinanced a maturing Public ABS instrument in Q2 2021, for which additional funding capacity had been held in 2020, we reduced the size of our Securitisation Programme to a level commensurate with the expected growth of the loan book in the near future. In 2021, we also accessed the Private ABS market, renewing and extending our variable funding facility, while reducing its margin.	'21 (84% drawn) £1,292m '20 (66% drawn) £1,448m '19 (71% drawn) £1,392m
Employee engagement	Results of our most recent engagement survey.	Our 2021 score remains very favourable, although it is down 7 points year-on-year. Our employees continue to appreciate the support from their line managers and the interactions with their colleagues. They acknowledge that Premium Credit continues to live by its purpose and values, and the work that has been done on diversity and inclusion. We see the decline year-on-year as a reflection of the timing of the survey, which was issued during a period of structural and people changes.	'21 71 '20 78 '19 55
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').	Regular interactions with the FOS to understand their approach has resulted in a reduction of both the numbers of complaints referred to the FOS and of those upheld by the FOS in favour of customers (two upheld each year in 2020 and 2021, four in 2019).	(21 / 20 / 19) Customer complaints: 331 / 336 / 342 FOS: 22 / 33 / 46
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.	Reviews 31,606 • Excellent 4.6 (2020: 4.6)

Financial review

2021 was another strong year for the business. Despite the continued challenging economic environment we increased the amount of loans originated by 7%, our profit before tax by 18% and our Adjusted EBITDA by 16%.

Net interest income remained broadly stable year-on-year at £97.5 million, with the growth in the loan book being offset by a COVID-19-related change in product mix towards lower yielding products.

Fee income increased following the continued rollout of a new facility fee on certain products, while the remainder of our cost recovery fees, including missed payment fees, remained stable as a result of the strong credit performance of our loan portfolio. As a result, our Total income grew by 3% to £113.8 million (2020: £110.6 million).

Our credit performance remained very strong, with net credit losses reducing by 58% year-on-year to £2.7 million, and IFRS9 provisions decreasing by 8% to £6.0 million as a result of an improvement in the overall quality of the loan book.

Finally, our administrative expenses decreased by 5%, reflecting the strong operating leverage of our business, as a result of significant technology investment and improvements to our operating model made over recent years.

These factors led to an operating profit of £54.6 million for 2021 (2020: £46.4 million), a profit before tax of £54.4 million (2020: £46.3 million) and an Adjusted EBITDA of £75.7 million (2020: £65.1 million).

	2021 £m	2020 £m	Change £m	Change
Amount of loans originated	**3,822**	3,587	235	6.6%
Net interest income	**97.5**	97.7	0.2	(0.2)%
Fee income	**19.9**	16.9	3.0	17.8%
Total income	**113.8**	110.6	3.2	2.9%
Administrative expenses	**59.7**	63.0	(3.3)	(5.2)%
Amounts written off on loans to customers	**2.7**	6.4	(3.7)	(57.8)%
(Decrease) / Increase of impairment provisions on loans to customers	**(0.5)**	1.2	(1.7)	n/a%
Operating profit	**54.6**	46.4	8.2	17.7%
Adjusted EBITDA[1]	**75.7**	65.1	10.6	16.3%

1. Adjusted 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 the table detailing Adjusted EBITDA reconciliation to our Operating profit on the next page.

Loans originated

The amount of loans originated grew to £3.8 billion (2020: £3.6 billion). Our insurance premium finance lending grew by 4.8% to £3.4 billion (2020: £3.1 billion), reflecting the essential nature of much of our lending and the increasing penetration of our products with both established and our new partners, notably through our Premium Programme.

Insurance premium finance for SMEs and corporates grew by 7.6% as customers continue to see the value in spreading the cost of insurance in order to conserve or invest cash.

Insurance premium finance for consumers continued to be impacted by the reduction in economic activity in certain sectors such as motor or travel insurance, and in the second half of the year by market volatility ahead of the fair pricing changes for insurers at the start of 2022. As a result, advances declined by 1.2% year-on-year.

Loan origination in our specialist lending products area increased by 23.3% year-on-year to £421 million (2020: £342 million) as activity in education and leisure sectors rebounded given fewer lockdowns in 2021. Similarly, the demand for tax products increased as governmental support packages and deferrals gradually tapered off during the year.

Net interest income

Net interest income comprises interest earned on our loans to customers less interest payable on our funding. Net interest income remained broadly stable year-on-year at £97.5 million (2020: £97.7 million). Interest income increased by £0.4 million year-on-year to £113.5 million (2020: £113.1 million), driven by higher origination amounts, but offset by a COVID-19-related change in product mix towards lower yielding products. Interest expense increased by £0.6 million to £16.0 million (2020: £15.4 million), caused by the full phasing-in of slightly increased costs of securitised funding raised in 2020, as well as the increase in the Bank of England's base rate in December 2021, which has yet to be passed on to our customers.

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 up £3 million (17.8%) year-on-year.

Most of the increase in fee income was generated through a facility fee charged at inception of the loan, and designed to compensate for the increased regulatory cost of onboarding and monitoring our customers. The rollout of that facility fee commenced in 2019 and was concluded in the main in Q3 2021. The 2021 fee income as a result does not yet comprise the full phasing-in of that fee. Missed payment fees remained flat at £8.6 million (2020: £8.0 million), reflecting the ongoing strong credit performance of our loan portfolio, as well as a proactive approach in waiving missed payment fees for customers subject to temporary financial difficulties, particularly during parts of the year affected by lockdowns.

Administrative expenses

Administrative expenses have decreased by £3.3 million or 5.2% year-on-year. Excluding foreign currency movements, depreciation and amortisation, and write-offs, expenses decreased by £1.9 million, mainly as a result of the non-recurrence of COVID-19-related expenditure seen in 2020 (£2.6 million), reduced office costs as working from home continued, reduced consultancy and restructuring costs (£1.8 million), partially offset by one-off strategy review costs carried out in 2021 (£1.6 million). Staff costs increased slightly (by £0.4 million) mostly through CPI-related wage inflation. IT-related expenditure increased by £0.3 million year-on-year to £4.0 million, but have stabilised at a lower level than previous years, reflecting improvements in our delivery model and an increased ability for front office departments to self-serve data.

Credit losses and provisions

Aside from the mandatory or critical nature of the products we finance, the layers of security built into a number of our products translate into low levels of credit losses. In 2021, write-offs on loans to customers, net of recoveries, amounted to £2.7 million (2020: £6.4 million), despite the continuing challenging economic environment. The short weighted average life of our loan book (3.4 months at year-end) allows us to see a rapid impact of changes in our credit underwriting rules. Our entire book has been re-underwritten since both the onset of COVID-19, and the end of the Brexit transition period in December 2020.

IFRS9 impairment provisions decreased by £0.5 million to £6.0 million in 2021, while in 2020 the Company had increased its provisions by £1.2 million.

Adjusted EBITDA – reconciliation to IFRS Operating profit

£m	2021	2020
Profit before tax	**54.4**	46.3
Depreciation and amortisation	**6.1**	7.0
Investment in new information technology	**5.1**	5.8
Write-off of Securitisation Programme fees	**3.7**	2.6
Restructuring costs	**1.2**	1.6
Foreign currency loss/(gain)	**2.1**	(1.5)
One-time expenditure(1)	**-**	2.6
Sponsor fees	**0.4**	0.4
External strategy review - professional fees	**1.6**	-
Other(2)	**1.1**	0.3
Adjusted EBITDA(3)	**75.7**	65.1

1. For 2020, costs include the performance triggers amendments in our Securitisation Programme (£1.8m), and additional staff costs in relation to increased forbearance requests (£0.8m).
2. For 2021, this represents interest expense on facilities not required in the ordinary course of business (£0.8m), one-time costs in relation to the Securitisation programme (£0.5m), reporting improvements (£0.4m) and building facilities (£0.3m); offset by write-offs in historical operating provisions (£1.0m). 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).
3. Adjusted 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. Adjusted EBITDA is not specifically defined under, or presented in accordance with, IFRS or any other generally accepted accounting principles and should not be considered 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 Adjusted 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 Adjusted EBITDA, the Company encourages the reader to evaluate each adjustment and the reasons it considers it appropriate as a method of supplemental analysis.

Cash

At 31 December 2021, the Company had a cash balance of £108.9 million, an increase of 18.1% from 2020 (£92.2 million). The large cash balance held follows our decision to retain cash in the business to maximise its liquidity position given the challenging economic environment. As a result the Company made no dividend payment in 2021 (2020: £nil).

Loans to customers

Loans to customers increased by £135.1 million to £1,565.3 million at 31 December 2021 (2020: £1,432.3 million). Those loans which had already been disbursed to our partners (the 'outstanding funded principal balance') as at 31 December 2021 amounted to £1,136.6 million (2020: £1,030.1 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 a master trust securitisation programme (the 'Securitisation Programme'), and through an unsecured revolving credit facility ('RCF').

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 October 2020 for £378 million with a reinvestment period end-date of September 2022 and a final legal maturity of September 2024, and one issued in April 2021 for £283.5 million with a reinvestment period end-date of October 2023 and a final legal maturity of October 2025. During 2021, we repaid a public asset-backed securities series at its first call date, for an amount of £283.5 million. The public asset-backed issues are rated by Moody's and DBRS, with 85% of the issuance rated Aaa/AAA.

The programme also comprises a £630 million (2020: £826 million) variable funding notes facility (the 'VFN') with a reinvestment period end-date of July 2024. The VFN was established in 2012 and has benefited from regular extensions or amendments; it is provided by a syndicate of banks and was last amended in July 2021 for a three-year reinvestment period, at reduced interest margins.

Finally, the programme also comprises a £40 million (2020: £40 million) variable funding notes facility (the 'ITN'), designed to provide funding against receivables that would become ineligible for funding through public asset-backed securities or our VFN in certain circumstances. The facility was extended in July 2021 for a further three years. It was undrawn as at 31 December 2021 (2020: £nil).

In June 2020, certain performance triggers were amended both on the VFN and the then-outstanding asset-backed issues, with the consent 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. These amendments were further refined and extended in 2021 for another 12 months.

The Securitisation Programme has a total size, excluding the ITN facility, of £1,292 million (2020: £1,487.5 million). As at 31 December 2021, £1,084 million was drawn down (2020: £980.2 million). The undrawn portion of the Securitisation Programme of £207 million is available to fund growth in the business.

In September 2021, we entered into an RCF with a new bank provider, for an increased amount of £10 million (2020: £7 million) and reduced interest margins. The new RCF matures in September 2022. The facility was not drawn as at 31 December 2021 (2020: £nil).

The Company has been pleased with the strong appetite shown by banks and institutional investors for its various funding instruments despite the unfavourable economic backdrop of the past two years. In 2021 this has resulted in improved interest margins on our public asset-backed securities, our VFN and our RCF.

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.

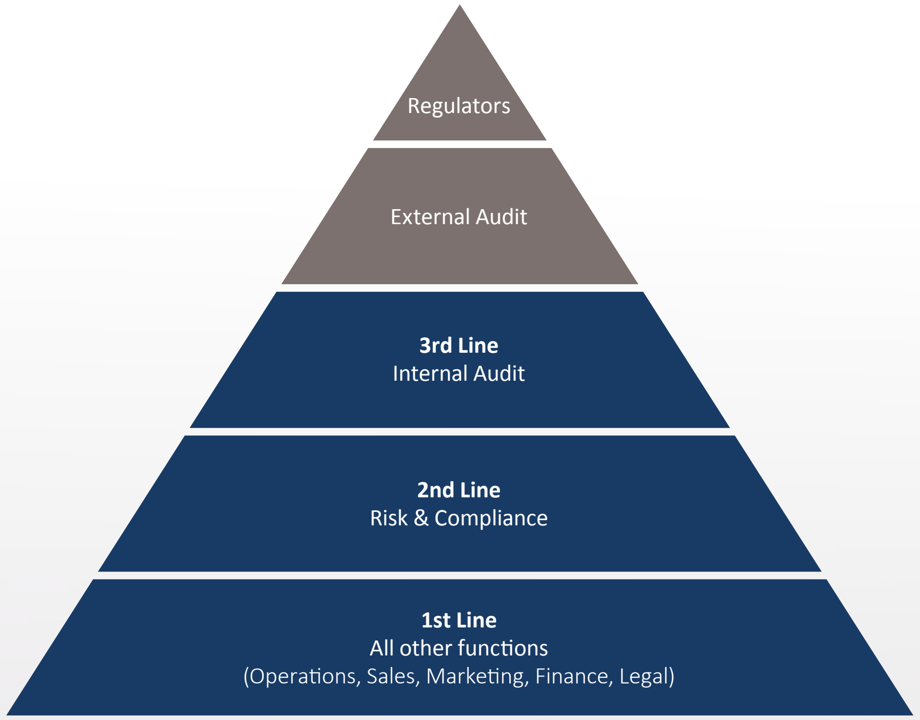
Our approach to risk management responsibilities surrounding risk management and internal control systems is designed to meet the needs of the size and complexity of the business. We believe a sound risk management framework, combined with a strong risk culture, effectively supports appropriate risk 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.

Our three lines model



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 have been 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

We continue to monitor the potential impacts on our business and our key stakeholders, of which there has been minimal impact. However, we 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. A Sustainability Committee has been established this year to embed our approach to managing such climate-related financial risks. Please see page 22 for further information.

Long-term viability

Though the COVID-19 pandemic continues to have an impact on customers and colleagues alike, the business continues to show great 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 long-term 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

We are exposed to a variety of risks through our 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 category 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

Those risks which impact Premium Credit's ability to achieve the corporate and strategic objectives of income/ profit and lending book growth, whilst maintaining a reputation as the safe and trusted financier of choice, as reflected in the strategic plan.

Mitigation

- We have a strong record of operating successfully in our chosen markets throughout our 33-year history, which we have achieved by continually improving our service proposition.
- During COVID-19 we have been able to maintain business volumes and/or margins in line with planned volumes.
- 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.
- 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.
- 2021 has seen an increase in M&A activity in our partner markets. Premium Credit has been well placed to benefit from the consolidation of key strategic partners.

Risk direction

Financial and Market Risk

Description

The risk that Premium Credit has insufficient capital to support stressed conditions, normal operations or growth plans. In particular, interest rate risk is currently heightened.

Mitigation

- The business 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.
- In 2021, 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.
- The business has the ability through contractual rate ratchets to reprice future lending in the event of interest rates increases above a contractual minimum.
- Our loans have short maturities that makes our results less sensitive to changes in interest rates.

Risk direction

Governance and Organisational Risk

Description

Risk that Premium Credit's governance, processes and organisational design does not support the overall corporate objectives or deliver good outcomes to stakeholders.

Mitigation

- Our governance framework promotes the long-term sustainable success of the business, generating value for shareholders and contributing to wider society and supports our purpose, values and strategy which are aligned to the corporate culture and to all our policies and practices.
- We have created a unique, people-centric culture which allows the business to best serve its partners and customers.
- Deep pool of skilled staff operating collaboratively to drive value for customers, partners and stakeholders.
- Robust recruitment process focused on hiring of high-quality candidates with the desired values and behaviours.

Risk direction

Credit and Counterparty Risk

Description

Risk that Premium Credit makes inappropriate loans to customers or producers or sets inappropriate exposure levels with individual producers or insurers.

Mitigation

- We have a robust Credit Policy, and onboarding procedures that are subject to governance and oversight.
- 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.
- 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 completely re-underwritten almost twice.
- Throughout 2021 the level of bad debt has been below forecasted levels.

Risk direction

Regulatory and Legal Risk

Description

The risk that:
(1) a change in laws and regulations will materially affect Premium Credit's business or markets; or
(2) Premium Credit is exposed to fines, censure, legal or enforcement action due to failing to comply with applicable laws, regulations, codes of conduct or legal obligations.

Mitigation

- We maintain open and transparent relationships with our regulators.
- There is a robust and comprehensive governance framework in place, including a Board and multiple sub-committees responsible for key operational, financial, regulatory, and compliance functions that ensure issues are escalated and resolved efficiently.
- Compliance undertakes an annual risk-based Assessment Plan, which focuses on annual themes selected considering the current regulatory landscape and business-driven management information.
- We undertake Regulatory Horizon Scanning to ensure future regulatory changes are identified, allowing the business to adapt to change.
- Each new Partner is reminded of their regulatory responsibilities and provided with detailed guidance on how to apply the FCA CONC Rulebook.

Risk direction

Principal risks and mitigation continued

Financial Crime Risk

Description	Mitigation	Risk direction
The risk that Premium Credit does not take appropriate measures to ensure that both our own and our customers' assets remain protected from abuse and fraud at all times.	• We have adopted a holistic approach to financial crime that sets the minimum control requirements in key risk areas, such as: anti-bribery and corruption ('ABC'); anti-money laundering and counter-terrorist financing ('AML'); anti-tax evasion facilitation ('ATEF') and sanctions. This combined approach allows us to identify and manage relevant synergies and connections between the key risk areas. • We ensure standardised due diligence checks as per Policy are carried out for all partners and customers being onboarded and on an ongoing basis which includes ID&V checks, adverse media searches, sanction checks etc. in line with regulatory requirements.	↔

Outsourcing Risk

Description	Mitigation	Risk direction
Risk of inappropriate outcomes to Premium Credit, our producers, customers and other stakeholders from outsourcing and the use of external suppliers.	• We ensure that all material outsourcing is supported by appropriate documentation, subject to Service Level Agreements ('SLA') and is controlled through monitoring and reporting under its Risk Appetite metrics. • We maintain strong relationships with our partners, customers and software house integrators. • Premium Credit maintains a strong, long-term relationship with Tech Mahindra, who provide development, support and cyber services both onshore and off-shore. • Perform periodic on-site visits, including compliance as appropriate.	↔

Technology and Cyber Risk

Description	Mitigation	Risk direction
Risks threatening the objective to ensure the technology platform is secure, scalable and resilient with functionality fit for end-customer, producer and regulatory purposes. Cyber risk in particular remains elevated.	• Efficient and scalable platform underpinned by leading technology. • We operate a sector-leading technology architecture, providing a platform for profitable, sustained growth as well as further innovation and differentiation. • The business operates a 24/7 Security Operations Centre that monitors our infrastructure, applications, and security logs, and provides alerts as threats are detected. • We use advanced next-generation anti-malware technology, running on all workstations and servers. • We have automated solutions that enable early threat detection and allow the formulation of a consistent response plan. • We conduct thorough external assessments annually to retain relevant certifications and accreditations.	↔

Operational Risk

Description	Mitigation	Risk direction
The risk of financial loss and/or reputational damage resulting from inadequate/inappropriate or failed internal processes, staff behaviours and systems, or from external events.	• Our risk management, strategy and governance are aligned; the business operates within a clearly defined and understood risk appetite and capacity. • Our operational risk framework is appropriately designed, embedded within key roles and responsibilities across the Board, the executive, the business (1st line), the risk function (2nd line) and the audit/assurance function (3rd line). • We have proactive Board and senior management oversight and consideration of all key risks – including operational risks and not limited to (reactive) issue management. • We can demonstrate culture and tone from the top that embeds effective risk management challenge in all key decision-making processes, and supports the timely identification, escalation, and management of material risks.	↔

Operating for the benefit of all our stakeholders

The Board recognises that the long-term success of the Company depends upon the interests of all our stakeholders. The Board considers the needs and concerns of all stakeholders in its running of the Company, and this view is intrinsic in our decision making.

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 • Regular team meetings, including CEO and Executive Committee Q&A sessions • Internal mental health first aiders • Annual engagement survey • Performance evaluations	• Health in an uncertain world, wellbeing incl. mental health issues of working from a home environment • Training and development opportunities • Career progression and recognition • Compensation and incentives • Living by our purpose and values
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	Effective communication with shareholders is important to understand and meet 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 • Living by our purpose and values
Investors	We regularly issue asset-backed securities, and 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

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 21 February 2022 and signed on its behalf by

Tara Waite
Director

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 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 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 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. Simon is also the Chair of a private equity-owned leading UK insurance broker and holds further non-executive directorships in both the financial services and retail sectors.

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.

Rebecca Abrey

Investor Director

Rebecca Abrey joined Cinven in 2017 and is a member of the Financial Services sector team. She has been involved in a number of transactions, including True Potential, Miller, NewDay and JLA. Prior to joining Cinven, Rebecca worked at Lazard, focusing on M&A transactions across both the Financial Institutions and Industrials sectors. Rebecca has a BA in Economics and Management from Oxford University.

Executive Committee

Experienced management team with a through-the-cycle track record.

Tara Waite
Chief Executive Officer

See the Board of Directors on page 48 for Tara's biography.

Andrew Chapman
Chief Financial Officer

See the Board of Directors on page 49 for Andrew's biography.

Josie Pileio
Chief Operations and People Officer

Joined May 2019

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

Josie is MBA and HR qualified, and brings extensive operational experience leading widespread business transformations. She had held Director roles in the retail industry and has over 25 years' experience working in complex, fast paced and multi-site international organisations.

Owen Thomas
Chief Sales Officer

Joined June 2019

Owen Thomas joined Premium Credit in June 2019 as Chief Sales 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. Owen also co-founded the Global Corporate & Speciality division in his time at Aviva.

Jon Howells
Chief Commercial Officer IPF UK

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. Prior to broking, Jon held a number of sales and operational roles at GE Money.

Roger Brown
Chief Commercial Officer SL & Ireland

Joined January 2013

Roger Brown has been Chief Commercial Officer for Specialist Lending since July 2019 and Ireland since October 2020; he was previously head of New Markets and Commercial Director. Roger has 27 years' experience in insurance premium finance and broking.

Previously, Roger was Finance Director at Capita – General Insurance Division. His prior roles include director at Close Brothers Premium Finance, Cullum Capital Ventures (Ardonagh) and Transamerica.

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.

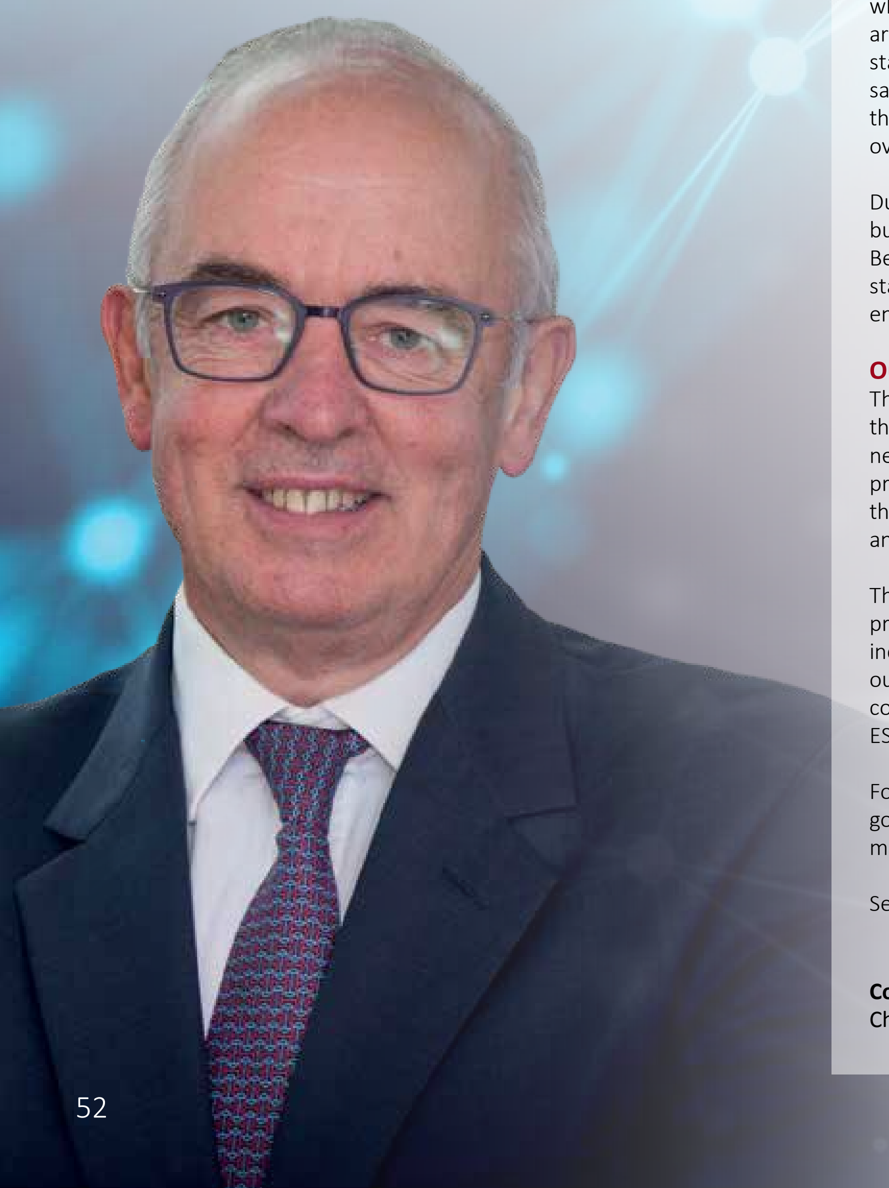
Duncan was CIO and part of the leadership team at BCA during its transition from private equity ownership to flotation on the London Stock Exchange.

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**
- **Data**

Chairman's introduction to our governance principles and framework

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

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 2021

This year has been about getting back to business as usual for the Board, as the all-encompassing focus on COVID-19 that was necessary last year reduced. Though we have continued to predominantly meet online and work remotely, I am confident that the Board's effectiveness has not been compromised in any way.

The Board's focus this year has been on the future and preparing the business for our next stage of growth. This has included a comprehensive strategic planning exercise to review our direction of travel and ambitions carried out by an external consultant, and significant time considering our approach to ESG issues.

Following the effectiveness review of our Board and governance which took place last year, we also continued to make enhancements to our governance arrangements.

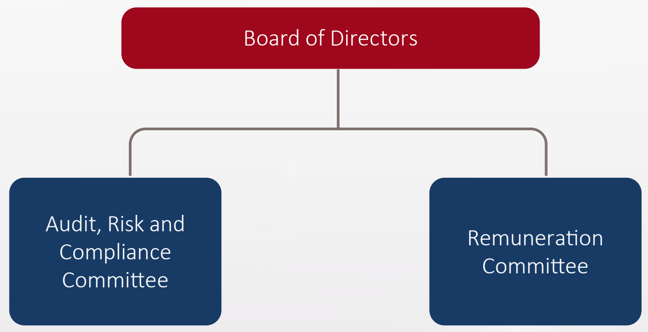
See more on the Board's activity during the year on page 56.

Colin Keogh
Chairman

Our corporate governance

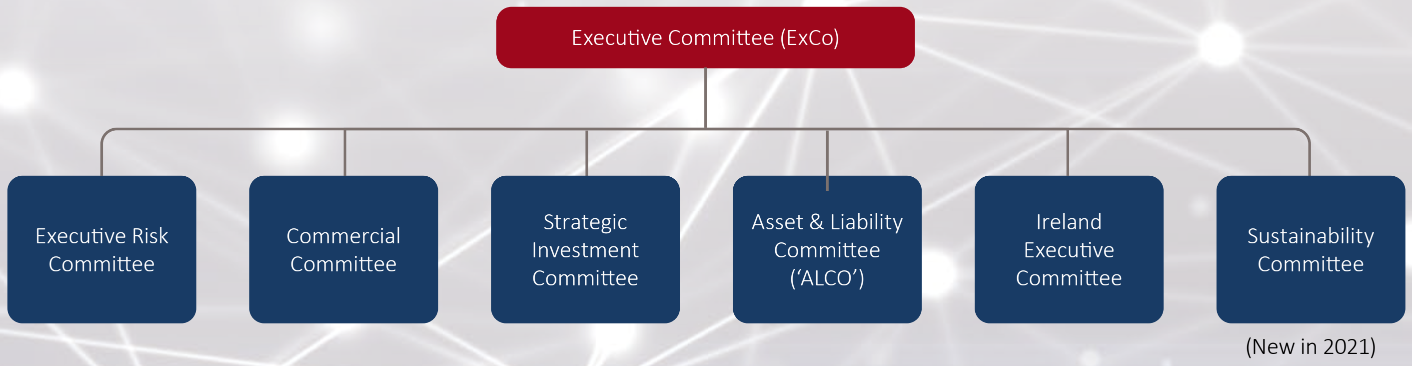
The Board has overall responsibility for setting the strategic direction of the business.

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 55.



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.

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), Rebecca Abrey, Maxim Crewe, 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 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 and key risk indicators;
- 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 from page 40 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; and
- 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 Head of Risk and Compliance. 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 monitoring 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 a certain size, as well as cost recovery fee exceptions.

Strategic Investment Committee
The Strategic Investment Committee is chaired by the Chief Operations and People 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 of Ireland. The Committee is responsible for monitoring the sales, financial and operational performance of the Irish business.

Sustainability Committee
The Sustainability Committee is chaired by the Strategy, Marketing and Communications Director and sponsored by the Chief Financial Officer. The Committee is responsible for monitoring the ESG framework and overall sustainability performance of the business.

Board activities during 2021

The Board continued to monitor COVID-19 during 2021, alongside prioritising strategic development and ESG progress.

Board meeting agendas have included consideration of the following matters this year. These are high-level and provide a picture of the breadth of oversight provided by the Board.

Strategy

- Regularly discussing strategy delivery and progress
  - Focus on frictionless digital journeys to deliver growth and efficiencies through digitally enabled journeys, simplification and automation
  - Actionable insight progress, utilising customer, partner and performance data to drive action, generate income and improve margins
  - Review of operating model to ensure efficient processes and products for our customers and partners
  - Market-leading technology – delivering solutions underpinning the digital strategy, to support data and analytical infrastructure
  - Development and launch of digital strategy that uses technology to improve business performance, aligned to customer journeys, meeting partner needs and existing process enhancement
- Review of the Company's 2023 strategy and its 2025 growth ambition using an external consultant
- Embedding purpose and values work completed in 2020

ESG

- Approving the establishment of a new Sustainability Committee
- Considering and approving the Group's new ESG framework
- Focus on the annual Ecovadis benchmarking survey
- Alzheimer's Society Partnership development
- Review the D&I training for senior staff

Governance and risk management

- Continuing strong governance framework and enhancements following the 2020 governance review
- Review of decision making within the business to ensure decisions are being made at the right level by the right people, and ensuring those decisions are aligned to the Senior Managers Certification Regime

People

- Ongoing focus on protecting and supporting our people during the pandemic
- Consideration of flexible operating model initiative, developing both operating model and future ways of working strategies
- Ensuring people understand and own the part they play in delivery for our community of customers and partners
- Ensuring roles and responsibilities are clearly defined and we have the right people with the right capabilities
- Continuing to build on employee engagement through wellbeing, inclusion and performance excellence
- New Learning and Development Calendar and Hub launched with a focus on personal development sessions

COVID-19

- Considering the Group's ongoing response to the COVID-19 pandemic
- Monitoring the economic landscape in regards to the pandemic
- Considering the impact of lockdowns and other restrictions on our stakeholders

Timeline of Board and Committee meetings

26 January
Board, Audit Risk & Compliance Committee ('BARCC'), and Remuneration Committee

20 April
Board and BARCC

27 April
Board and BARCC

20 July
Board and BARCC

23 September
Board Committee (Strategy)

4 November
Board and BARCC

Directors' report

The Directors of the Premium Credit Limited ('Premium Credit' or the 'Company') present their Annual Report and financial statements for the year ended 31 December 2021.

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 & 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 page 14. The KPIs on page 36 and the financial review on page 38 contain highlights of the results for the year.

The Chief Executive Officer's review on page 4 and the strategy on page 16 provide details of our future outlook.

The Company generated a profit before tax for the year ended 31 December 2021 of £54.4 million (2020: £46.3 million), and no dividend was paid during the year (2020: £nil). 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 42 to 45.

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 approval 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
- Rebecca Abrey (appointed 8th February 2022)
- Peter Catterall
- Andrew Chapman
- Maxim Crewe
- Simon Moran
- Anthony Santospirito (resigned 8th February 2022)
- 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 46) and in our ESG section (starting on page 22).

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, and 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/modern-slavery-statement.

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.

We have mostly been operating remotely since mid-March 2020, although we reopened our offices on a purely voluntary basis since September 2021. 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 2021.

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 28.

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 30.

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 was one whistleblowing incident in 2021 (2020: none), which was handled in line with our whistleblowing policy.

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 £200 (2020: £12,076) 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 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 also 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.

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

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 21 February 2022 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 2021 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 2021; 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 members' 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 members 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 members 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 the 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 the 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 2021 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 the Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the members for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the members 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 members 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 members 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 members 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, 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 by the engagement team 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;
- Review of minutes of directors' meetings occurring during the year;
- Challenge of assumptions and judgements made by management in their significant accounting estimates;
- Review of internal audit reports in so far as they related to the financial statements;
- Performing risk based testing on journal entry postings; and
- Review of regulatory oversight plan, correspondence with FCA during the year and assessing the impact on the audit.

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 members' 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

22 February 2022

Income statement

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Interest income		**113,503**	113,109
Interest expense		**(15,976)**	(15,423)
Net interest income	5	**97,527**	97,686
Fee income	6	**19,915**	16,902
Commission expense	7	**(3,644)**	(3,989)
Total income		**113,798**	110,599
Administrative expenses	8	**(59,678)**	(62,950)
Net impairment gains/(losses) on loans to customers	16	**477**	(1,216)
Operating profit	8	**54,597**	46,433
Finance income	10	**84**	109
Finance expenses	11	**(238)**	(282)
Profit before tax		**54,443**	46,260
Income tax expense	12	**(3,368)**	(831)
Profit for the financial year		**51,075**	45,429

There is no material difference between the above results and their historical cost equivalents (2020: nil).

Results relate to continuing operations.

Statement of comprehensive income

For the year ended 31 December 2021

	2021 £'000	2020 £'000
Profit for the financial year	**51,075**	45,429
Other comprehensive (expense)/income		
Items that may subsequently be reclassified to the income statement:		
Foreign currency translation (losses)/gains	**(2,454)**	1,836
Other comprehensive (expense)/income for the year	**(2,454)**	1,836
Total comprehensive income for the year	**48,621**	47,265

Balance sheet

As at 31 December 2021

	Note	31 December 2021 £'000	31 December 2020 £'000
Assets			
Non-current assets			
Intangible assets	13	**5,803**	7,291
Property, plant and equipment	14	**2,736**	2,608
Right-of-use assets	15	**4,031**	4,938
Loans to customers	16	**3,725**	2,468
Prepayments and other receivables	17	**366**	8,172
Deferred tax assets	18	**387**	389
Total non-current assets		**17,048**	25,866
Current assets			
Loans to customers	16	**1,561,534**	1,429,839
Prepayments and other receivables	17	**132,862**	105,427
Corporation tax receivable		**620**	1,131
Cash and cash equivalents	19	**108,889**	92,167
Total current assets		**1,803,905**	1,628,564
Total assets		**1,820,953**	1,654,430
Liabilities			
Non-current liabilities			
Lease obligations	20	**3,822**	4,585
Total non-current liabilities		**3,822**	4,585
Current liabilities			
Lease obligations	20	**793**	847
Trade and other payables	21	**1,522,624**	1,403,905
Total current liabilities		**1,523,417**	1,404,752
Total liabilities		**1,527,239**	1,409,337
Equity			
Called up share capital	22	**10**	10
Retained earnings		**294,402**	243,327
Other reserves	23	**(698)**	1,756
Total shareholders' funds		**293,714**	245,093
Total equity and liabilities		**1,820,953**	1,654,430

The financial statements on pages 62 to 82 were approved by the Board of Directors on 21 February 2022 and signed on its behalf by

Tara Waite
Director

Statement of changes in equity

For the year ended 31 December 2021

£'000	Called up share capital	Retained earnings	Other reserves	Total equity
At 1 January 2020	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
Profit for the financial year	**–**	**51,075**	**–**	**51,075**
Foreign currency translation losses	**–**	**–**	**(2,454)**	**(2,454)**
Total comprehensive income for the year	**–**	**51,075**	**(2,454)**	**48,621**
At 31 December 2021	**10**	**294,402**	**(698)**	**293,714**

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 2020 Annual Report and Financial Statements with the exception of new accounting policies adopted on 1 January 2021, as set out below.

- Definition of materiality – Amendments to IAS 1 and IAS 8.
- Definition of a business – Amendment to IFRS 3.
- COVID-19-related rent concessions – Amendment to IFRS 16.
- Interest rate benchmark ('IBOR') reform – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The implementation of these amendments to standards has not had a material impact on the financial statements of the Company.

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

(a) Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted International Accounting Standards in its financial statements on 1 January 2021. This change constitutes a change in accounting framework however, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

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 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 Share-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; and
  - 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 and 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.

Notes to the financial statements continued

2. ACCOUNTING POLICIES continued

(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 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 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 approval 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.

(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 fair value, including direct and incremental transaction costs, 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 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. Fees received at the time of a specific event during a loan's life, such as chaser fees or on default, have a predetermined transaction price and are recognised when that service obligation has occurred. No fees have performance obligations which satisfy over time.

(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.

(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. When sales are generated the financial assets are accounted for at trade date.

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 the 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 instrument's 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.

Notes to the financial statements continued

2. ACCOUNTING POLICIES continued

(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 the 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. Credit risk due diligence is carried out on all intermediary partners and their financial, regulatory and trading performance is continuously monitored.

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 Stages 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 or there is no reasonable expectation of recovery, based on relevant indicators such as the insured has absconded or become insolvent, or the company is dissolved. The total value of financial assets that had been written off but are still subject to enforcement activity at the 31 December 2021 was £1.9 million (2020: £3.7 million).

Calculation of expected credit losses ('ECL')

At 31 December 2021, 99.8% (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 included 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.

(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 the development of the 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;
- Configuration of code for cloud computing is controlled by the Company;
- 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

Notes to the financial statements continued

2. ACCOUNTING POLICIES continued

(n) 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 six months to seven 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 payments 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.

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.

(o) 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.

(p) Share capital

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

(q) Dividends

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

(r) Investments

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

(s) 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.

(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:

- Classification of Liabilities as Current or Non-Current – Amendment to IAS 1 (effective for periods beginning on or after 1 January 2022). Immaterial expected impact.
- Insurance contracts – Amendments to IFRS 17 (effective for periods beginning 1 January 2023 or when applying IFRS 15). No impact expected.

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 during 2020 and their subsequent withdrawal from in the latter half of 2021 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 including future termination, collection and write-off rates, which have been impacted as a result of the pandemic and the associated support measures.

Estimating the impact of the changes in these drivers of the ECL model contains significant uncertainty. Therefore, modelled assumptions and the linkage to credit losses may underestimate or overestimate ECL in these conditions. An increase in termination rates of 10% would result in an additional £0.2 million to the impairment provision in 2021 (2020: £0.3 million).

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) 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 £0.8 million (2020: £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.

Notes to the financial statements continued

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES continued

(d) 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 estimates of future economic cashflows. A change in the estimate of any future benefits has the potential to reduce the recoverable amount of the asset recognised.

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) Cyber insurance claim

The Company is currently undergoing a cyber insurance claim with the Company's corporate insurer in relation to the losses incurred following the 2018 cyber-attack. An offer has been made by the insurance company in settlement which is currently being reviewed by the Company's management. The range of any potential settlement at reporting date is between £0.25 million and £2.0 million. Until the settlement and amount has become certain the asset has not been recognised in the financial statements.

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.

5. NET INTEREST INCOME

	2021 £'000	2020 £'000
Interest receivable on:		
Interest income on loans to customers:		
Earned service fee income	**118,885**	117,672
Cost of sales: incentives	**(5,382)**	(4,563)
Interest income	**113,503**	113,109
Interest payable on:		
Amounts owed to related party	**(15,976)**	(15,423)
Interest expense	**(15,976)**	(15,423)
Net interest income	**97,527**	97,686

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

	2021 £'000	2020 £'000
Servicing fees	**9,338**	6,441
Administration fees	**10,577**	10,461
Fee income	**19,915**	16,902

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

	2021 £'000	2020 £'000
Commission expense	**3,644**	3,989

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

8. OPERATING PROFIT

Administrative expenses

	2021 £'000	2020 £'000
Staff costs:		
Wages and salaries	**22,997**	22,366
Social security costs	**3,050**	3,226
Other pension costs	**1,404**	1,448
Total staff costs	**27,451**	27,040
Non-staff costs:		
Other administration costs	**17,278**	20,305
IT-related expenditure	**4,029**	3,714
Foreign currency loss/(gain)	**2,061**	(1,497)
Depreciation and amortisation	**6,111**	6,953
Amounts written off on loans to customers	**2,748**	6,435
Total non-staff costs	**32,227**	35,910
Total administrative expenses	**59,678**	62,950

Operating profit is stated after (crediting)/charging:

	2021 £'000	2020 £'000
Operating lease rentals	**(137)**	9
Depreciation charge on property, plant and equipment and right-of-use assets (Notes 14 and 15)	**1,828**	1,872
Amortisation charge on intangible assets (Note 13)	**4,289**	5,081
Impairment charge on intangible assets (Note 13)	**–**	449
Loss on disposal of intangible assets (Note 13)	**–**	100
Impairment of loans to customers	**2,271**	7,651
IT-related expenditure	**4,029**	3,714

Impairments of loans to customers

	2021 £'000	2020 £'000
Movement in expected (credit losses)/impairment allowance (Note 16)	**(477)**	1,216
Amounts written off during the year as uncollectible, net of recoveries	**2,748**	6,435
Impairment of loans to customers	**2,271**	7,651

Notes to the financial statements continued

8. OPERATING PROFIT continued

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	2021 £'000	2020 £'000
Audit services	542	396
Other assurance services	–	1
Total auditors' remuneration	**542**	397

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 396 (2020: 399), and at year end it was 391 (2020: 378). All employees are engaged in the financing of insurance premiums and instalment services and are split into the following functions:

	2021 Number	2020 Number
Operations	171	161
General and administration	160	173
Sales and marketing	65	65
Average monthly number of employees	**396**	399

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 (2020: £nil).

9. DIRECTORS' EMOLUMENTS

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

	2021 £'000	2020 £'000
Aggregate emoluments	1,810	1,952
Total emoluments	**1,810**	1,952

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 (2020: £nil) under the Company's defined contribution pension scheme.

The total emoluments of the highest paid Director were £0.9 million (2020: £0.7 million). No contributions were made in respect of money purchase schemes to the highest paid Director (2020: £nil).

10. FINANCE INCOME

	2021 £'000	2020 £'000
Interest receivable on:		
Loans to Group undertakings	84	83
Corporation tax	–	26
Finance income	**84**	109

11. FINANCE EXPENSES

	2021 £'000	2020 £'000
Interest payable on:		
Interest charges payable for lease liabilities	238	282
Finance expenses	**238**	282

12. INCOME TAX EXPENSE

Income tax expense

	2021 £'000	2020 £'000
Current tax expense – current year	2,681	1,811
Current tax expense/(credit) – prior year	275	(1,782)
Total current tax	**2,956**	29
Deferred tax expense – current year	5	251
Deferred tax credit – prior year	(2)	(157)
Total deferred tax	**3**	94
Foreign tax	409	708
Total foreign tax	**409**	708
Total tax expense	**3,368**	831

The headline rate of UK corporation tax remains at 19% for 2021, however 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. Deferred tax balances have been recognised based upon when the balances are expected to unwind. A rate change adjustment arises due to this updated future tax rate. Intangibles have been recognised using a rate of 19% (2020: 19%); based upon applying straight-line amortisation this balance is expected to unwind before 1 April 2023. Fixed assets have been recognised at a rate of 24.8% (2020: 19%), as the majority of the balance is expected to unwind after 1 April 2023. The remaining immaterial balances have been recognised at 25% (2020: 19%).

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

	2021 £'000	2020 £'000
Profit before taxation	**54,443**	46,260
Profit before taxation multiplied by tax rate in the UK of 19.00% (2020: 19.00%)	10,344	8,789
Factors affecting expense for the year:		
Expenses not deductible for tax purposes	65	57
Adjustment to prior years – current tax	275	(1,782)
Adjustment to prior years – deferred tax	(2)	(157)
Effects of rate change	(105)	(75)
Double tax relief	(409)	(708)
Overseas tax	409	708
Effect of group relief	(7,209)	(6,001)
Total tax expense	**3,368**	831

13. INTANGIBLE ASSETS

	Assets under construction £'000	Software £'000	Total £'000
Net carrying value at 31 December 2020	238	7,053	7,291
Cost			
At 1 January 2021	238	24,042	24,280
Additions	2,801	–	2,801
Disposals	–	(425)	(425)
Transfers	(1,790)	1,790	–
At 31 December 2021	**1,249**	**25,407**	**26,656**
Accumulated amortisation and impairment			
At 1 January 2021	–	16,989	16,989
Amortisation	–	4,289	4,289
Disposals	–	(425)	(425)
At 31 December 2021	**–**	**20,853**	**20,853**
Net carrying value at 31 December 2021	**1,249**	**4,554**	**5,803**

Assets under construction relate to capitalised development costs.

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

Notes to the financial statements continued

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Equipment £'000	Total £'000
Net carrying value at 31 December 2020	1,728	880	2,608
Cost			
At 1 January 2021	**2,872**	**6,046**	**8,918**
Additions	**7**	**927**	**934**
Disposals	**–**	**(431)**	**(431)**
Exchange adjustments	**(3)**	**1**	**(2)**
At 31 December 2021	**2,876**	**6,543**	**9,419**
Accumulated depreciation			
At 1 January 2021	**1,144**	**5,166**	**6,310**
Charge for the year	**281**	**523**	**804**
Disposals	**–**	**(431)**	**(431)**
At 31 December 2021	**1,425**	**5,258**	**6,683**
Net carrying value at 31 December 2021	**1,451**	**1,285**	**2,736**

See Note 26 for contractual commitments on capital expenditure.

15. RIGHT-OF-USE ASSETS

	Buildings £'000	Vehicles £'000	Total £'000
Net carrying value at 31 December 2020	4,791	147	4,938
Cost			
At 1 January 2021	**6,433**	**459**	**6,892**
Additions	**64**	**52**	**116**
Disposals	**–**	**(327)**	**(327)**
At 31 December 2021	**6,497**	**184**	**6,681**
Accumulated depreciation			
At 1 January 2021	**1,642**	**312**	**1,954**
Charge for the year	**850**	**173**	**1,023**
Disposals	**–**	**(327)**	**(327)**
At 31 December 2021	**2,492**	**158**	**2,650**
Net carrying value at 31 December 2021	**4,005**	**26**	**4,031**

16. LOANS TO CUSTOMERS

	2021 £'000	2020 £'000
Gross loans to customers	**1,571,298**	1,438,852
Less: allowance for impairment	**(6,039)**	(6,545)
Net loans to customers	**1,565,259**	1,432,307
Split as:		
Current	**1,561,534**	1,429,839
Non-current	**3,725**	2,468

At 31 December 2021, £1,148.1 million (2020: £1,041.9 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:

	2021 £'000	2020 £'000
1 January	**6,545**	5,320
(Credit)/charge to the income statement for impairment losses	**(477)**	1,216
Exchange adjustments	**(29)**	9
At 31 December	**6,039**	6,545

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

2021	Stage 1	Stage 2	Stage 3	Total
Loans to customers (£'000)	**1,559,860**	**7,588**	**3,850**	**1,571,298**
Allowance for ECL (£'000)	**4,313**	**438**	**1,288**	**6,039**
Coverage ratio	**0.3%**	**5.8%**	**33.5%**	**0.4%**

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%

17. PREPAYMENTS AND OTHER RECEIVABLES

	2021 £'000	2020 £'000
Amounts due from Group undertakings	**124,755**	105,110
Prepayments and other debtors	**8,473**	8,489
Prepayments and other receivables	**133,228**	113,599
Split as:		
Current	**132,862**	105,427
Non-current	**366**	8,172

Amounts due from Group undertakings are unsecured and consists of two loans. A loan of £7.2 million (2020: £7.2 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% (2020: 1%) per annum, with a total accrued interest of £0.7 million, as well as a loan of £116.9 million (2020: £97.2 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 (2020: £8.5 million) include £0.6 million (2020: £0.5 million) of fees relating to undrawn facilities.

18. DEFERRED TAX ASSET

Deferred tax included in the balance sheet is as follows:

	2021 £'000	2020 £'000
Balance as at 1 January	**389**	483
Deferred tax (credit)/charge for the year attributable to:		
Deferred tax charge in respect of current year	**(109)**	(326)
Adjustments in respect of prior period	**2**	157
Effect of rate change	**105**	75
Deferred tax asset as at 31 December	**387**	389

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

	2021 £'000	2020 £'000
Deferred tax due within 12 months	**(59)**	(115)
Deferred tax due in more than 12 months	**446**	504
Carrying amount at year end	**387**	389

There are no unused tax losses or unused tax credits (2020: nil).

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

	2021 £'000	2020 £'000
Accelerated capital allowances	**368**	368
s1308 R&D intangible fixed asset	**19**	21
Carrying amount at year end	**387**	389

Notes to the financial statements continued

19. CASH AND CASH EQUIVALENTS

	2021 £'000	2020 £'000
Bank balances	108,889	92,167
Cash and cash equivalents	**108,889**	92,167

£3.7 million (2020: £nil) of the cash figure is encumbered to the SPVs.

20. LEASE OBLIGATIONS

a) Liabilities

The balance sheet shows the following amounts relating to leases:

	2021 £'000	2020 £'000
Buildings	4,601	5,304
Vehicles	14	128
Lease obligations	**4,615**	5,432

No option exists to extend or terminate for the UK building lease; the Irish building lease may be terminated. Car leases have the option to extend or terminate as per the contracts.

b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2021 £'000	2020 £'000
Interest expense (included in Finance expense)	238	282
Expense relating to short-term leases (included in Administrative expenses)	2	21
Depreciation (included in Administrative expenses)	1,023	1,020

21. TRADE AND OTHER PAYABLES

	2021 £'000	2020 £'000
Trade payables	468,581	444,108
Amounts owed to Group undertakings	1,039,694	946,552
Accruals and deferred income	12,936	11,461
Social security and other taxes	721	1,148
Other creditors	692	636
Total trade and other payables	**1,522,624**	1,403,905

Amounts owed to Company undertakings of £1,039.7 million (2020: £946.6 million) consists of £1,041.3 million owed to PCL Asset Trustee Limited, offset by the Securitisation Programme set-up fees of £3.7 million (2020: £2.6 million) which are amortised over the facility period. An intercompany balance of £1.0 million (2020: £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

	2021 £'000	2020 £'000
Allotted and fully paid		
10,000 (2020: 10,000) ordinary shares of £1 each	10	10
10,000 ordinary shares (2020: 10,000) of USD 0.01 each	–	–
Called up share capital	**10**	10

Ordinary Shares which participate in dividends and distribution of capital equally and each have one vote per share:

A Ordinary Shares

- These only participate in the profits or assets of the Company if the holders of every other class of shares receives the sum of £1,000,000 (2020: £1,000,000) in respect of each share held by them.
- There is no right to vote attached to these shares in 2021 or 2020.

23. OTHER RESERVES

	2021 £'000	2020 £'000
At 1 January	**1,756**	(80)
Foreign currency translation reserve	(2,454)	1,836
At 31 December	**(698)**	1,756

24. DIVIDENDS

No dividend was paid or declared in 2021 and 2020 and none is proposed.

25. INVESTMENT IN COMPANY UNDERTAKINGS

On 18 May 2021 the Company's subsidiary, Direct Debit Management Services Limited ('DDMS'), was dissolved. At 31 December 2020 the Company held 100% of the shares of DDMS and the Directors believed that the carrying value of the investment (£2) was supported by the underlying net assets.

DDMS was incorporated in the UK and the registered address was 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 £0.6 million (2020: £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.

2021	FVTPL £'000	Amortised cost £'000	Total £'000
Assets			
Cash and cash equivalents	–	108,889	108,889
Loans to customers	–	1,565,259	1,565,259
Amounts due from Group undertakings	–	124,755	124,755
Total financial assets	–	**1,798,903**	**1,798,903**
Liabilities			
Trade and other payables	–	1,521,903	1,521,903
Lease liabilities	–	4,614	4,614
Total financial liabilities	–	**1,526,517**	**1,526,517**

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
Lease liabilities	–	5,432	5,432
Total financial liabilities	–	1,408,189	1,408,189

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).

Notes to the financial statements continued

27. FINANCIAL INSTRUMENTS continued

2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Loans to customers	–	**1,565,259**	–	**1,565,259**
Amounts due from Group undertakings	–	**124,755**	–	**124,755**
Total financial assets	–	**1,690,014**	–	**1,690,014**
Liabilities				
Trade and other payables	–	**1,521,903**	–	**1,521,903**
Lease liabilities	–	**4,614**	–	**4,614**
Total financial liabilities	–	**1,526,517**	–	**1,526,517**

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
Lease liabilities	–	5,432	–	5,432
Total financial liabilities	–	1,408,189	–	1,408,189

Maturity profile

A maturity analysis of the undiscounted contractual cash flows of the Company's assets 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.

2021	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	–	**1,521,903**	–	–	–	**1,521,903**
Lease liabilities	–	**1,034**	**967**	**2,967**	–	**4,968**
Total financial liabilities	–	**1,522,937**	**967**	**2,967**	–	**1,526,871**
Financial assets						
Loans to customers	–	**1,561,534**	**3,725**	–	–	**1,565,259**
Amounts due from Group undertakings	–	**124,755**	–	–	–	**124,755**
Cash and cash equivalents	**108,889**	–	–	–	–	**108,889**
Total financial assets	**108,889**	**1,686,289**	**3,725**	–	–	**1,798,903**
Maturity gap	**108,889**	**163,352**	**2,758**	**2,967**	–	**272,032**

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
Lease liabilities	–	1,146	1,032	2,901	1,033	6,112
Total financial liabilities	–	1,403,903	1,032	2,901	1,033	1,408,869
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	131,046	1,436	2,901	1,033	220,715

28. CAPITAL RESOURCES

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

The 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, and 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 to customers to mature without subsequent advancement.
The Company is not subject to any externally imposed capital requirements.

	2021 £'000	2020 £'000
Profit for the financial year	**51,075**	45,429
Divided by:		
Opening equity	**245,093**	197,828
Closing equity	**293,714**	245,093
Average equity	**269,404**	221,461
Return on equity	**19.0%**	20.5%

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 2021 and 31 December 2020 were as follows:

	Note	2021 £'000	2020 £'000
Debt			
Amounts owed to Company undertakings	21	**1,039,694**	946,552
Less: Cash	19	**(108,889)**	(92,167)
Net debt		**930,805**	854,385
Equity		**293,714**	245,093
Total net debt plus equity		**1,224,519**	1,099,478

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 (2020: £0.4 million) and at the end of the year £0.1 million (2020: £0.1 million) was unpaid.

The Company also paid finance commission to Ingenie Services Limited of £0.8 million (2020: £1.4 million) and at the end of the year £0.6 million (2020: £0.7 million) was outstanding. Ingenie Services Limited is related through key management personnel.

The Company has a loan to a Director for £40,000 (2020: £40,000) outstanding, with interest payable at 2.5% (2020: 2.5%) per annum with total accrued interest of £2,005 (2020: £1,001), for the purpose of acquiring shares in Pomegranate Topco Limited and remains outstanding at year end.

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

30. PENSION COMMITMENTS

Contributions to the defined contribution pension scheme during the year were £1.4 million (2020: £1.4 million). At year-end, there were no outstanding or prepaid contributions (2020: £nil).

Notes to the financial statements continued

31. ULTIMATE PARENT UNDERTAKING
The immediate parent undertaking is Vendcrown Limited.

The ultimate parent undertaking at 31 December 2021 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

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