Creating opportunities through convenient payments

Annual Report and
Financial Statements
2022

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Our purpose

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

2022 highlights

£4.5bn
Value of loans originated
+18.4% (2021: £3.8bn)

0.11%
Loan loss ratio
+0.04p.p. (2021: 0.07%)

£79.6m
Adjusted EBITDA
+£3.9m (2021: £75.7m)

45.3%
Expense to income ratio
-7.1p.p. (2021: 52.4%)

£123.8m
Total income
+8.8% (2021: £113.8m)

£67.8m
Operating profit
+24.2% (2021: £54.6m)

2.4m
Number of loans granted
(2021: 2.1m)

10.5%
Total income margin
-0.6p.p. (2021: 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 APMs to assess performance – in the highlights shown above, these are Loan loss ratio (representing Net credit losses for the year divided by Amount of loans originated over the year), Total income margin (representing Total income divided by 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 Profit before tax on page 29.

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

Chairman's introduction

Joining a premium business

I am delighted to have joined Premium Credit as Chairman. It is a business I know well having partnered with the Company many times during my 25 years in the insurance sector.

I can say it is an even more impressive business from the inside and the passion, quality and determination of the staff shine strongly in all that they do.

Premium Credit is an important business. It plays a crucial role in making insurance accessible and affordable to individuals and companies. This has never been more important than in this tough economic climate. It is with both pride and purpose that the business serves its customers making the process of spreading payments easy and affordable.

A smooth transition

2022 has been a big year for the business. The transition to new owners places a strain on management over and above the already challenging task of running the business. This process has been managed incredibly smoothly with the ambitious business-as-usual plans never missing a beat.

This was no mean feat and I think it is right that I recognise this on behalf of the Board by thanking the entire Premium Credit team for their hard work and unwavering efforts.

I would also like to thank the outgoing Board for their support during the transition and for all that they have done for Premium Credit over many years. The business is stronger and better for all your efforts.

Finally, I would like to welcome our new owners, TowerBrook Capital Partners and also my fellow new Board members John Lumelleau and Kory Sorenson. Collectively we bring a lot of relevant experience which we believe will help the company on this exciting next chapter – supporting the management team to deliver against the strategy whilst keeping high standards of governance in all that we do.

A new chapter

Premium Credit is a market leader in what it does. The strength of its products, relationships and expertise has never been higher. The aim of the entire Company is to make sure that this momentum continues as we explore ways to make it even stronger and better.

In my experience what really differentiates companies are the quality of their people and the way they work together. Having met all of the Premium Credit team over the past months I am extremely confident that this is their greatest strength. Myself and the Board look forward to working closely with them over the coming years.

Thank you again to the entire Premium Credit team and Board for a terrific 2022!

Scott Egan
Chairman

"What really differentiates companies are the quality of their people and the way they work together."

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. Last year we used our leading, integrated technology to originate 2.4 million loans, lending over £4.5 billion through a network of c. 3,000 partners.

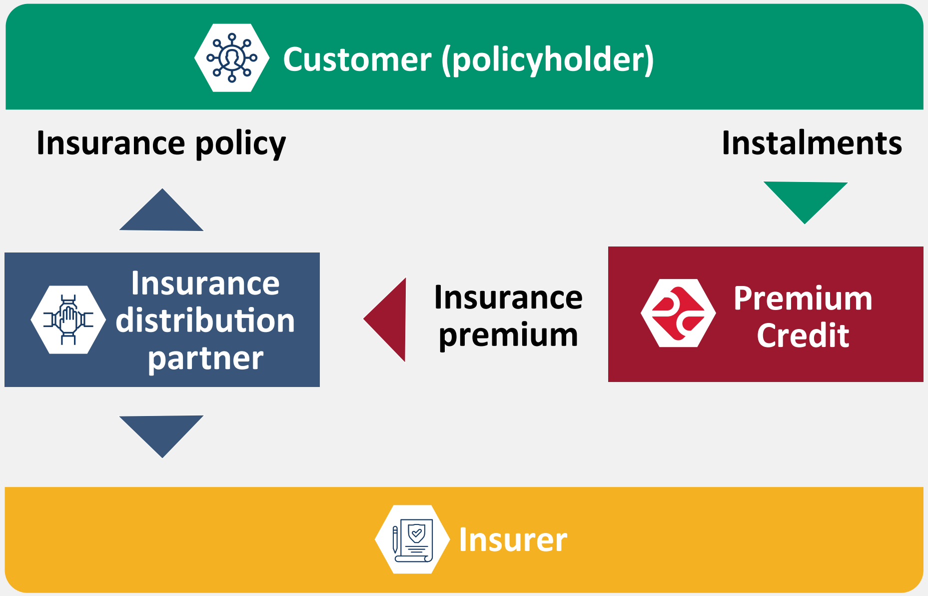
How we do it – example of a journey for insurance premium finance

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 business model

Premium Credit has a unique business model. We work with a diversified network of intermediary partners to provide seamless financing for our customers. The twelve facets of our business model are summarised on this page. In 2022, this enabled us to originate 2.4 million loans, lending over £4.5 billion through a network of c. 3,000 partners.

Our strategy

We are a purpose-led business with a vision to be the leading provider of instalment finance for the insurance industry and other specialist lending sectors in the UK and Ireland.

We achieve this by proudly supporting our community of customers and partners in creating opportunities through convenient payments. We aim to out grow and out earn our peers by providing superior service and technology for both customers and partners. Our relentless focus on the compliant offer of finance to every customer along with new propositions ensures that we are meeting the changing needs of consumers.

Despite the challenging macroeconomic environment of 2022, we have built on the good progress made in the previous year and delivered significant growth with existing partners, while successfully acquiring a number of new partners in our target markets. Our objective is 100% offer, whereby our partners would have offered premium finance as a potential funding option to 100% of their clients.

The many initiatives that make up our strategic roadmap are underpinned by a programme of activities that continuously improves our customer and partner journeys. We continue to evaluate new developments in our chosen target markets, gaining insight into evolving trends and their drivers.

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

Our Direction: As a customer and partner focused leading tech-enabled provider of convenient payment options we will be a sustained value creator by out-growing and out-earning our market peers

Our Objectives: '100% Offer'

Existing Partners	New Partners	New Propositions
Drive Premium Programme for top partners: Brokers, Schools & Tax partner	Win new Broker, Insurer, Affinity, Education & Tax partners	Launch Non-recourse product, D2C Tax & Education for Professional Qualifications

Our Pillars: A programme of activities that brings our Purpose to life through improvements to our customer and partner journeys

- Frictionless Digital Journeys
- Actionable Insights
- Flexible Operating Model
- Market Leading Technology

Our Values:

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

Our strategy continued

Progress against our strategic objectives in 2022

Existing partners

Our approach to partner engagement, the 'Premium Programme' continues to deliver strong growth and provides a scalable foundation for future success. At the same time, we have further invested in our software house integrations to make it even easier for all our partners to deal with us, and have reorganised our Sales function, adding a number of key hires to strengthen the teams in target markets.

As a result, we continued to enjoy 99% partner retention rate, and have renewed contracts with a variety of partners including Howden, Policy Expert, Parkdean Resorts and Everton Football Club.

All of the above helped us in winning both the Insurance Times' 'Business Partner of the Year' award for our Insurance Premium Finance business and the Asset Finance Solutions 'Professions Funder of the Year' award for our Specialist Finance business.

New partners

We have seen strong double-digit growth within our Personal Lines business, with wins that include Inshur, Stella Insurance and Somerset Bridge. We have also had strong growth in the regional commercial broking market as a direct result of our investment in people.

In Specialist Lending we have continued to increase the number of partnerships with the independent schools sector whilst increasing the take up of finance through our Appointed Representative programme.

"We continued to enjoy 99% partner retention rate, and have seen double-digit growth within all our business lines."

New propositions

This year, we have seen sizeable growth with our new professional training proposition, including a partnership with Learndirect Ltd, the UK's leading online training course provider.

As part of our investment in tech, we have developed and built a new commercial underwriting system that will drive further efficiency and speed to decision for our partners and customers once implemented in 2023. More about this on page 09.
We have also deployed a new suite of benchmarking reports to support our partners in the management of their business, including their 'Fair Value Assessments'.

Finally, we have continued to develop a strong new proposition pipeline.

Our strategy continued

Frictionless digital journeys:

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

We focus on digitising and automating journeys in order to deliver a seamless experience for our partners and our customers across both insurance and specialist lending markets. In insurance premium finance, we are transforming the onboarding of commercial customers, which will significantly cut timelines to underwrite business and reduce operational effort. In the school fees business line, we are redesigning the parent experience and simplifying the bursar activities. More widely we focus our effort on our partners to drive innovation and ensure our partners are benefitting from our latest technology.

Actionable insight:

Increase the take up of finance through the effective management of customer, partner and performance data.

The Actionable Insight programme continues to deliver significant advancements in the availability of data and data insights, notably through cloud-based tech. Our enhanced reporting enables partners to make informed decisions about their business direction based on market and performance data. Initially delivered through our quarterly business review, a key plank of our Premium Programme to help drive increased penetration and growth, we have now made this reporting available to all our UK Insurance Premium Finance partners.

Flexible operating model:

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

We are downstreaming our corporate Flexible Operating model to individual departments within the firm, and over the last year have created and embedded Departmental Operating Models for Insurance Premium Finance Sales, Specialist Lending Sales and Change Management. For each area we have clearly defined the capabilities and behaviours for each role and identified development areas needed within teams, all of which have contributed to improving our customer and partner experience. Initially triggered by the pandemic, we have now moved to a fully hybrid working model for all areas of the business supported by in-person meetings to optimise collaboration between colleagues and our partners.

Market Leading Technology:

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

Investment in technology is an important foundation for Premium Credit, and we continuously use analytics to identify enhancements and provide a better experience for our customers and partners. Technology brings operating efficiency and scalability, with automation playing a critical part at customer onboarding, real-time integration and subsequent service journeys. It also ensures commercial and strategic flexibility, and the ability to develop new propositions that meet our partners' needs at speed. We operate a hybrid cloud infrastructure model, with full transition to the cloud expected by Q1 2024. 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.

"We continuously use analytics to identify enhancements and provide a better experience for our customers and partners."

Our strategy continued

Supporting our customers and partners in practice

Case study: Howden UK

Howden UK, one of the UK's top insurance brokers, has selected Premium Credit as its insurance premium finance provider for its expanded business across the UK and Ireland markets.

We have worked with Howden UK, part of the international insurance broking group of the same name, since 2009. In 2020 and 2021, Howden built out their UK and Ireland broking business with the acquisitions of A-Plan Group and Aston Lark, two of the UK and Ireland's largest insurance brokers in their own right, introducing them to Premium Credit business relationships dating back to the 1990s.

As part of the integration of these acquisitions, Howden were looking for consistency across premium finance providers and put their business out to tender. Competing with the UK's other leading premium credit providers in a rigorous tender process, Premium Credit came out on top to agree a new long-term deal.

"We were very impressed with how Premium Credit approached the tender, putting a lot of effort into getting to know all parts of the business", said Stuart Rootham, Chief Commercial Officer for Howden UK & Ireland.

"Premium Credit have proven themselves very capable over the last few years working with Howden UK and Aston Lark. Their training and approach to data are best practice in the marketplace, and we are excited for their success to be repeated across our larger UK and Ireland business."

Stuart Rootham | Chief Commercial Officer, Howden UK & Ireland

The Institute of Customer Service

Premium Credit has been a member of the Institute of Customer Service since 2021. This year, we received their TrainingMark accreditation, demonstrating that our in-house customer service training programme meets national standards for customer service, as independently recognised by the Institute of Customer Service. This ensures we have a skilled customer service team that helps continuously deliver an excellent customer experience and business performance.

Bringing more automation to our commercial customers

We have been focused on creating frictionless journeys and a transparent, digital-led experience for our customers as part of our strategy for a number of years now.

This year, we developed and built a new process to bring greater automation for our commercial partners and customers, which is being launched in 2023. Having brought a lot of automation into our Personal Lines business to create efficiencies that benefit both sides, bringing automation to our commercial business was the next logical step.

Our new 'Loan Origination Module' is a digital product that enhances the user experience and delivers significant benefits to our customers, partners and colleagues. It allows us to move our commercial partners' business through our systems a lot faster, as well as providing them full information on the status of any loan request for their customers.

This new product combines a credit decisioning engine, parallel workflows, and intermediary partner case management. It is cloud based and integrates real-time feeds from multiple information providers including credit, identification and search engine data. It is fully API enabled, allowing us to integrate further third parties as well as intermediary partners simply and easily. The product also enables us to capture and store more information on our credit decisions, giving us more insight into our customer base and allowing us to refine our underwriting criteria even faster than today.

Josie Pileio, Chief Operations and People Officer, says: "This level of service for both our commercial partners and customers really sets us apart from our competitors. The partners we have engaged with throughout the development of this module have all shown great enthusiasm for its potential. This product supports the strategic objectives for our Commercial Lines Insurance Premium Finance business and is a key catalyst for growth."

Emma Rippin, Finance Manager at our partner Momentum Broker Solutions added: "We are pleased to see the improvements Premium Credit have made to the commercial customer onboarding journey; in the short time it has been available we are already making use of the additional information provided. It is great to have such a quick turnaround on approvals, giving peace of mind to our Appointed Representative partners. This is a great step forward and we look forward to its evolution."

Chief Executive Officer's review

Reaching new levels of lending and profitability

The Company has performed strongly again this year, reaching new levels of both lending and profitability. This growth was driven by the successful execution of our strategy, and helped by strong market conditions leading to high demand for our products.

I'm proud of what we've been able to achieve this year and would like to thank the entire team at Premium Credit for their continued hard work and dedication. With clear results from our strategy to date and market conditions meaning we expect demand for our products to remain high, I believe we have excellent momentum going into 2023.

During the year the business was successfully sold to TowerBrook Capital Partners. TowerBrook is an investment management company with a track record of creating value in businesses across Europe and North America. In acquiring Premium Credit, TowerBrook has demonstrated strong belief in our existing strategy and direction, and a commitment to helping us achieve our goals. Responsible ownership is also central to its strategy as a certified B Corporation, a certification which measure a company's entire social and environmental impact, and we are pleased they recognise our ESG progress and share our ambitions in that area.

Performance

The Group has a track-record of sustained performance in varying market environments, and historically has strengthened its market position in challenging environments. With a challenging economic landscape continuing even as we began to move away from the pandemic, our products remain essential for our customers.

This is reflected in a strong set of financials, including an increase in loans originated to £4.5 billion (2021: £3.8 billion), and record levels of both Total income (£123.8 million, 2021: £113.8 million), and EBITDA (£79.6 million, 2021: £75.7 million).

Though our growth was excellent and ahead of our expectations, our EBITDA would have been even stronger if not for the rapidly changing interest rate environment. Like other lenders, we pass on the increased costs to our customers, but our business model means that we do this over time. We have also seen a slight uptick in losses in 2022, but are comparing those to the artificially low level of losses we experienced in 2021 as a result of governmental support measures during the Covid pandemic.

Throughout a strong year, as we've delivered for more and more customers, our purpose of striving to support our customers and partners has remained at the heart of everything we do.

Strategic progress

Our performance has been driven by the continued success of our strategy. We've been able to grow with our existing partners as well as focusing on new growth areas in line with our previously laid out plans.

Tara Waite | Chief Executive Officer

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

Chief Executive Officer's review continued

We've made further progress in our mature broker channel with our premium programme, which has been rolled out to a number of our largest partners. We will continue to roll it out to further partners next year, and this will help fuel our growth further.

We've also had success in developing our proposition and products for our emerging channels, which includes providing premium finance services to some insurers, self-funding brokers and affinity brands. This included winning a new insurance partner which will go live in 2023.

In specialist lending, we've also had a strong year of growth, as we focus on our priority segments of Education and Tax. Our new Chief Commercial Officer for specialist lending will join in 2023 as we enhance our focus on this important area for us in the longer term.

Finally, we continue to invest in technology across our whole business to ensure all customer and partner journeys are as efficient as possible.

ESG and people

We take our ESG responsibility seriously, ensuring our operations and growth strategy are sustainable and we that manage our impacts appropriately.

To that end, the Sustainability Committee established at the end of 2021 has been placed under the sponsorship of our CFO and has been staffed with senior leaders from across the business whose responsibilities align with our ESG framework.

In 2023 we will be investing further in the team and introducing a Sustainability Manager to provide further drive for our Sustainability agenda.

We have made excellent progress this year, notably through the formation of our Equality, Diversity and Inclusion Council and the introduction of ESG KPIs. This has been validated again in 2022 by our improving Ecovadis score.

This year, as we move to new ownership under TowerBrook Capital Partners, we have appointed a new Non-Executive Board. Scott Egan, John Lumelleau, Kory Sorenson, Joseph Knoll and Victor Na all bring a wealth of skills and experience across the insurance industry and wider financial sector.

I would like to thank our previous Board members for their long service, and a successful handover as we welcome the new Board members. I look forward to working closely with them this year and beyond.

Outlook

We all face challenging economic conditions with inflation levels not seen for decades, climbing interest rates and the impact of the ongoing war in Ukraine. Against this uncertain backdrop, our products are even more vital for both consumers and businesses. We remain committed to delivering on our purpose to support our customers wherever we can and are proud of the help that our products can provide in tough times.

Though these market circumstances offer us opportunities, we will also remain vigilant, keeping an eye on the challenges presented by global supply chain issues, the situation in Ukraine and the economic climate.

That being said, the market opportunities, combined with our strategy, ESG progress and new ownership, give Premium Credit a really positive outlook. The key areas of focus for the next year will be to build on the progress made in 2022 and continue to deliver on the core objectives we set for 2023, whilst also looking for exciting new opportunities that can deliver more growth across the coming years.

T-Waite

Tara Waite
Chief Executive Officer

"We are proud of the help that our products can provide in challenging times."

£123.8m
Total income
(2021: £113.8m)

£79.6m
Adjusted EBITDA
(2021: £75.7m)

ESG report: Overview

Committed to being a force for good

We are a purpose-led organisation, proudly supporting our community of customers and partners in creating opportunities through convenient payments.

Our purpose is underpinned by four corporate values: Stand Together; Stand Up; Stand True and Stand Out, which we apply to the way we operate every day as a responsible business employing over 400 colleagues across the UK and Ireland.

Following a peer, regulatory and risk review of our ESG performance in late 2021, we established the Sustainability Committee and ESG Framework. Our Sustainability agenda, aligned to our Purpose and strategy, is appropriate for a financial services business of our size, with a robust understanding and visibility of our material issues and impacts, whilst ensuring we are a force for good today and in the future.

Our Sustainability Committee drives Environmental, Social and Governance ('ESG') action that is relevant to our business model and practices, ensuring Premium Credit is socially and ethically accountable, contributing to the communities we serve.

In 2022, we have made progress across all areas of our ESG Framework including improved reporting of a range of KPIs in order to ultimately align to the SASB (Sustainability Accounting Standards Board) standards issued by the International Sustainability Standards Board ('ISSB') and to the Task Force on Climate-related Financial Disclosures ('TCFD'). We have also developed a clear Sustainability Policy that sets out our objectives, areas of focus, Committee responsibilities and brings together a range of existing policies. We continue to use Ecovadis, an external business sustainability assessment tool, to audit our progress annually.

ESG governance

We recognise that the ownership and responsibility for driving performance in line with our ESG Framework is vital. The Sustainability Committee is composed of senior leaders from across the business whose responsibilities align with this framework and our Sustainability Policy

Meeting monthly, the Sustainability Committee sets our Environmental, Social and Governance priorities and monitoring against relevant KPIs. Our KPIs have been identified from the relevant standards issued by the ISSB and the TCFD. The Sustainability Committee is a sub-committee of the Executive Committee, providing monthly progress reports that are shared quarterly with the Board.

"In 2022, we have made progress across all areas of our ESG Framework."

ESG report: Overview continued

Our ESG framework

Environmental

Primary focus

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

Social

Primary focus

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

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

The Committee is composed of senior colleagues from across the business whose roles are relevant to the delivery of our agenda:

Sponsor:
Chief Financial Officer

Chair:
Strategy, Marketing & Communication Director

Environmental Lead:
Procurement & Facilities Analyst

Social Lead:
Head of HR

Governance Lead:
Head of Treasury & Investor Relations

Supported by Chief Operation & People Officer, Head of Accounting, Chief Information Security Officer, Head of Risk and Compliance and Head of Legal & Company Secretariat.

Our journey

Pre-2019
Our CSR Committee focused on raising money for elected good causes- focus on philanthropic approach.

2020 – First Ecovadis assessment
We selected Ecovadis, a global provider and respected ratings platform, to perform an independent review of our sustainability activities. Following the first assessment we were awarded a Bronze medal in 2020.

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.

2021 – Annual Ecovadis assessment
We used the learning from the 2020 review to identify areas of improvement and aligned our efforts to drive improvements across all four key areas measured. Ecovadis awarded us a Silver medal in 2021.

2021 – Starting alignment process to standards
We identified SASB and TCFD standards that are relevant to our industry and our business, and aligned to individual roadmaps for Environmental, Social and Governance.

2019

2020

2021

2020 – Cultural dashboard created
We introduced a cultural dashboard 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 – Alzheimer's Society partnership (ongoing)
We entered a partnership with the Alzheimer's Society and 'Insurance United Against Dementia', which we continue to maintain today. In addition to raising funds, we provide our colleagues with 'Dementia Friends' training to help raise awareness of those living with Dementia.

2021 – Sustainability Committee formed
Following Executive Committee and Board approval in July 2021, the new Sustainability Committee, dedicated to furthering our ESG agenda was formed, and our CSR Committee was 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 will be owned and driven by the Sustainability Committee.

ESG report continued

2022

2022 – Annual Ecovadis assessment

We completed our third Ecovadis assessment and saw an improvement in our overall score driven by a significant improvement in our Environmental review. We were awarded a further Silver medal.

2022 – Formed the Equality, Diversity and Inclusion Council

Made up of colleagues from across the business, the council are charged with creating an inclusive environment where diversity is recognised as essential to the creation of a high performing culture.

2022 – Introduced a Sustainability Policy

We created a Sustainability Policy that sets out our commitment to Sustainability aligned to our Framework with clear governance that includes reporting through the Executive Committee to the Board.

2022 – ESG compliance target

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

2023

2023 – Introduction of a Sustainability Manager

Recognising the increasing importance of Sustainability and our commitment to being a force for good, we are introducing a new role that will provide focus and drive for our Sustainability agenda.

2023 – Enhance KPI tracking

Monitor changing standards and requirements, build on existing KPIs and develop additional metrics to meet our commitments.

2023 – Annual Ecovadis assessment

We will continue to us Ecovadis to complete a review of our progress over the previous 12 months.

ESG report continued

Our 2022 performance

Ecovadis sustainability rating

We remain committed to validating our ESG progress using independent assessors, Ecovadis, one of the world's leading sustainability assurance businesses who align their methodology with international standards.

This globally respected ratings platform provides a review of our commitment to four key areas, namely Environment, Labour & Human rights, Ethics and Sustainable procurement.

Ecovadis improved our total assessment score from 63 to 68 this year, following an improvement in both our Procurement and Labour/Human Rights scores. We were delighted to have been awarded another 'Silver' medal in 2022 as a result. This is another good step forward for the business and our ESG agenda.

We are thankful to our Sustainability Committee and grateful for the continuous support of the Board, senior leadership and all our colleagues who enable us to deliver these positive outcomes.

2021 Overall Score

2022 Overall Score

Environmental

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

Primary focus

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

Greenhouse Gas Emissions

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 2022, Premium Credit's operations have seen an overall reduction in energy use by 6.9% compared with 2021. In particular there has been a reduction in building energy use, with gas consumption down by 41%.

This reflects improvements that have been implemented in 2022 to the building energy management system, which has ensured boilers are only used when there is demand.

Transport activity increased by 39.9% during 2022, in the context of easing Covid restrictions and an associated uptick in business travel activity.

In 2023 the Company will continue to identify and progress initiatives to reduce energy usage and GHG emissions, notably through the introduction of electric vehicles for its salesforce. We have also initiated a sustainability audit of our main suppliers.

	Premium Credit Limited			
	Energy (kWh)		Emissions (tCO_2e)	
	2022	2021	**2022**	2021
Electricity	**510,486**	618,055	**98.7**	131.2
Gas and generator fuel	**88,750**	147,000	**16.4**	27.1
Transport fuel – Business travel in company cars or employee-owned vehicles where company is responsible for purchasing the fuel	**338,657**	242,128	**83.6**	59.6
Total	**937,893**	1,007,183	**198.7**	217.9
Intensity ratio: kWh and tCO_2e/sq.ft. occupied floor area	**22.28**	23.93	**0.00472**	0.00518

6.9%

Decrease in GHG emissions 2021 to 2022

41%

Reduction in gas consumption 2021 to 2022

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.

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 established 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

Given the economic pressures of recent years, we continue to work to assess the affordability of our products and increase access for a wider range of customers. We have worked hard to identify and understand our vulnerable customer base in particular. Through our partnership with Insurance United Against Dementia, we have increased our awareness of some of these issues. A cross-function working group dedicated to customers who show signs of vulnerability has delivered many 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 continues to be very favourable, with an Engagement score of 76% (an increase of five percentage points year-on-year). Our employees continue to appreciate the support and direction from their line managers and the interactions with their colleagues. They also understand how their job contributes to the strategic priorities of the business, a reflection of the monthly Executive Committee live online updates and the re-introduction of half-yearly face-to-face town halls.

In 2022, we introduced Engagement Champions in each department, who are tasked, as a team, with addressing any concerns raised in our annual engagement survey. Some of the initiatives, developed through suggestions from engagement champions, include recognition vouchers for celebrating good performance, meeting-free slots in calendars and changing our approach to the engagement survey itself to make it more of a regular occurrence.

Diversity & inclusion

We are 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.

Our Equality, Diversity & Inclusion Council have continued to raise awareness of different topics for our colleagues. This has included articles on our intranet, external speakers and colleagues sharing their personal stories and challenges. We have made links with external organisations for example Tech She Can, Women in Banking and Finance, 10,000 Black Interns and have signed up to the Association of British Insurance Flexible Working Charter. Currently a number of our colleagues are being mentored as part of the Women in Banking Finance programme and we are working with Step Ahead to support people back into work. In 2022 we re-launched our Charity Strategy where we match donations for charity and give all colleagues the opportunity to have a day volunteering.

ESG report continued

Ensuring that our managers have the skills to embed an inclusive culture is important to us so we have rolled out training on diversity & inclusion.

Wellbeing has also been a topic that we have focused on in 2022 having trained managers on managing mental health, maximising how our Mental Health First Aiders can support colleagues and having external speakers talk to all colleagues about how to maintain and healthy and balanced lifestyle.

Training & education

We approach training & 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. At the heart of our training is our competency leadership model, which 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 2022.

Competency framework

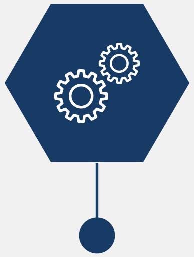
We have continued to embed a Competency Framework which outlines the behaviours that are key to delivering against our strategic goals, whilst living our values.

A matrix has been developed, which shows the expected level of competency based on each colleague's grades- individual contributors, subject matter experts, senior leaders and strategic leaders.

This framework is used in our mid- and end-of-year reviews.

Governance

Premium Credit is a responsible employer and partner, operating transparently and ethically.



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

The resilience of our model is evaluated and supported by externally led strategy reviews, an agile approach to underwriting and regular assessment of our credit exposure by sector. We are considering how best to include ESG elements in our credit analysis.

Supply chain management

Our approach to procurement and contract management includes ensuring that our suppliers adopt similarly responsible policies in respect of labour, human rights and other factors. Our practices are monitored on our Ecovadis dashboard.

Business ethics

We respect human rights as defined under the European Convention on Human Rights, and condemn all instances of bribery and corruption, harassment, bullying and discrimination. We have whistleblower policies and procedures in place. Our Ecovadis dashboard includes metrics on labour and human rights.

During the year we published our updated statement on modern slavery and confirm that there were no alleged breaches of the Modern Slavery Act in the reporting period.

We meet our tax obligations in full compliance with UK tax law and practice. We have a low appetite to risk in terms of our tax arrangements, and publish our tax strategy on our website annually.

Competitive behaviour

We firmly believe in operating in a fair environment. We have not incurred any losses on account of legal proceedings against us relating to fraud, insider trading, anti-competitive behaviour, market manipulation or other financial industry laws.

Legal & regulatory environment management

We monitor and manage risks and opportunities in relation to our legal and regulatory environment, in particular through FCA regulations including the Senior Manager & Certification Regime, the Senior Management Arrangements, Systems and Controls Sourcebook (‘SYSC’), Treating Customers Fairly (‘TCF’) and Conduct Risk.

We engage with regulatory bodies to avoid conflicts between corporate and public interests that could lead to direct or indirect environmental or social impacts. We review changes in our legal and regulatory framework and undertake regular training.

We are prepared for the new Consumer Duty, scheduled to come into force on July 31, 2023, including getting external assurance on our implementation of the Consumer Duty requirements prior to the deadline.

Critical incident management

Incident identification, assessment and reporting are core to our ability to demonstrate regulatory compliance, and to protect our customers and reputation. In line with our Business Continuity Policy, we respond to a major or critical incident by following processes that are clear and tested regularly.

Systemic risk management

Our capital and long-range planning includes mandatory and voluntary stress testing, which we also apply to other areas such as service centre capacity planning. Premium Credit’s liquidity and ability to withstand losses are subjected to reverse stress testing. The results of this testing are reported and reviewed by the Asset & Liability Committee, the Executive Risk Committee, or the Board’s Audit, Risk and Compliance Committee.

Our cultural dashboard 2022

Our cultural dashboard enables 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 2022

- Our customer service training has been certified by the Institute of Customer Service
- Upgraded service dashboard with a range of new measures, which are provided monthly to management and quarterly to the Board

Key metrics

- Customer satisfaction ('CSAT'): 94% (target: 80%) (2021: 88%)
- Partner satisfaction ('PSAT'): 93% (target: 80%) (2021: 91%)
- Trustpilot score: 4.5 (target: 4.5) (2021: 4.6)
- Net Promoter Score ('NPS'): +79 (target: +60) (2021: +72)

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 2022

- Designed new operating model for sales
- Key elements of Consumer Duty incorporated in relevant training

Key metrics

- Compliance training completion UK & Ireland: 100% (2021: 100%)
- Performance review completion rate: 100% (2021: 100%)

ESG report continued

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 2022

- Completed annual engagement survey
- Engagement champion-led initiatives, including recognition vouchers and meeting-free slots
- One off cost of living payment to support our colleagues
- A raffle took place in December where colleagues were given decommissioned laptops, with a proportion given to charity
- Summer town hall and party event; Christmas socials
- Catalogue of employee benefits produced to provide clarity of what is on offer

Key metrics

- Annual engagement survey results
  - Engagement score – 76% (2021: 71%)
- Glassdoor score: 4.3 (target: 4.0) (2021: 4.2)
- Employee turnover – 20.1% (2021: 19.1%), which is comparable to pre-Covid levels. Turnover in our contact centre is higher, in line with industry trends, and is included in this figure. Excluding the contact centre our turnover was 15.7%.
- Absence ratio: 2.4% (2021: 1.6%) Absenteeism has increased in 2022, mainly driven by Covid infections and mental health-related absences. To continually support colleagues we will be increasing the number of mental health first aiders, and delivering further training to managers.

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 2022

- Introduced a new charity strategy, including paid days off for volunteering and lump sums payable towards colleagues and intermediary partners' personal fundraising efforts
- Working with Women in Banking & Finance, 10,000 Black Interns, and Tech She Can

Key metrics

- Annual Ecovadis benchmarking survey result 2022: Silver rating, score of 68/100 (2021: score of 63/100)

Gender pay gap

We had 430 employees working in the UK and Ireland (excluding the Chair and Non-Executive Directors) at the end of the year (2021: 391).

Composition of the workforce

	31 December 2022		31 December 2021	
	Men	Women	Men	Women
Board	71%	29%	87%	13%
Executive	75%	25%	71%	29%
Senior managers	75%	25%	76%	24%
Other employees	44%	56%	47%	53%

Gender pay gap

	Difference between men and women (Mean)		Difference between men and women (Median)	
	2022	2021	2022	2021
Hourly rate (this is a prescribed calculation based on fixed pay)	32.6%	32.7%	36.7%	37.7%
Bonus amount	43.7%	51.1%	51.1%	39.2%

The Company has calculated its gender pay gap as at April 2022. The Gender pay gap table 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 as at the snapshot date of 5 April 2022.

The 2022 mean and median gender pay gaps based on hourly rate, saw slight improvements of 0.1p.p and 1.0p.p respectively.

We are pleased to see that based on all bonus paid within the reporting year, the mean gap in 2022 was 43.7% which is an improvement of 7.4p.p. compared with 2021 and 16.4% compared with 2020. The median gap however saw a 11.9p.p. increase to 51.1%.

As 19% of females elect to work part-time (versus 2% of males), their bonus pay will be pro-rated, thus impacting the median bonus gap overall. Additionally, lower representation of women in the Insurance Premium Finance Sales roles at only 33% and the higher number of roles staffed by men in the upper middle and upper quartile are also impacting this metric.

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 organisation and the Equality, Diversity & Inclusion Council is looking at initiatives to further reduce the gap in 2023. The introduction of a Hybrid Work model will continue to support flexible working and where employees can feel enabled to balance work and home lives.

Average tenure of employees

The average tenure of employees measures the average length of service across the workforce. The average tenure in 2022 was 6.6 years (2021: 7.2 years). There continues to be a good mix of employees with long tenure, and therefore Company experience, and newer colleagues who bring external skills to the Company.

New shareholder for Premium Credit

Insights from our Non-Executive Director, John Lumelleau

As a member of the Management Advisory Board of TowerBrook Capital Partners, can you explain the rationale for TowerBrook recently becoming a Premium Credit shareholder?

TowerBrook is well known for identifying market leading companies whose business model is resilient across economic and market cycles. Premium Credit fits nicely into that investment thesis.

Where do you see opportunities for Premium Credit?

Broadly speaking the opportunity is to take this good, solid business and make it even better. From the Board's perspective that means guiding and fully supporting our leadership and management teams as they tailor and expand the product offering for partners across brokers, insurers and affinity groups, while at the same time refining our best-in-class service model for clients. Premium Credit is entering the next phase of growth and profitability and will continue to deepen and broaden its Insurance Premium Finance proposition while extending the same level of success into education and other select specialty lending niches.

Given your former role as President and CEO of Lockton, the largest privately held global insurance broker, can you describe how important Premium Credit's proposition is for its partners (insurance brokers) and their clients (SMEs and individuals)?

Having worked in insurance my entire career, I know the value Premium Credit brings to brokers and clients, rounding out the transaction neatly in both the personal and commercial segments. They perform a valuable service in financing and specialist lending and are an important part of the transaction.

John Lumelleau | Non-Executive Director

"Premium Credit is entering the next phase of growth and profitability in Insurance Premium Finance, education and other specialty lending niches."

KPIs

Total income

Definition
Net interest income (£112.2 million) plus fee income (£16.4 million) minus commission expense (£4.9 million).

Performance commentary
Our Total income grew by 8.8% year-on-year, driven by an increase in interest income following the growth in loan origination, as well as an increase in fee income.

2022	£123.8m
2021	£113.8m
2020	£110.6m

Total income margin

Definition
Total income (£123.8 million) divided by Average funded receivables (£1,179 million).

Performance commentary
Total income margin decreased slightly in 2022, as the increase in interest rate on our liabilities had not yet been fully passed into our assets (our loan book).

2022	10.5%
2021	11.1%
2020	11.0%

Risk adjusted income

Definition
Total income of £123.8 million (2021: £113.8 million), minus Net credit losses of £5.2 million (2021: £2.7 million).

Performance commentary
Our Risk-adjusted income continues to improve, driven mainly by the growth in Total income. While the amounts written off on loans to customers has increased by 88% year-on-year, the level of write-offs remain lower than those pre-Covid. This reflects pro-active and adaptive underwriting activities throughout the year, as well as the fundamentals of our business model, which are not very sensitive to the underlying macroeconomic conditions.

2022	£118.6m
2021	£111.1m
2020	£110.6m

Adjusted EBITDA

Definition
See the definition of Adjusted EBITDA and a table detailing reconciliation to our Profit before tax on page 29.

Performance commentary
We generated a record high Adjusted EBITDA in 2022. The increase year-on-year is primarily driven by an increase in Total income, while credit losses and administrative expenses only recorded modest growth, reflecting the fundamentals of our business, and our operating leverage respectively.

2022	£79.6m
2021	£75.7m
2020	£65.1m

Loan loss ratio

Net credit losses relating to 2022 activity (£5.2 million) divided by the Amount of loans originated over the year (£4.5 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 vast majority of our loans have a maturity date of 12 months or less, each renewal allows for updated underwriting criteria to be applied.

2022	0.11%
2021	0.07%
2020	0.18%

KPIs continued

Amount of loans originated

Definition
Total value of loans granted over the year, net of cancellations and mid-term adjustments.

Performance commentary
Year-over-year origination grew by £722 million, representing a growth on prior year of 18.9%. The growth rate was 18.5% in our Insurance Premium Finance division, and 22.3% in our Specialist Lending division. This was driven by the onboarding of a number of new partners, post-Covid recovery in certain sectors (travel insurance, young drivers insurance, tax), as well as improved penetration rate of our products, in particular through intermediary partners that are part of our Premium Programme.

2022	£4,544m
2021	£3,822m
2020	£3,587m

Average funded receivables

Definition
The average principal balance of loans that had been originated and disbursed to our partners (the 'outstanding funded principal balance') over the year.

Performance commentary
The average funded receivables balance increased by 14.9% in 2022, reflecting both the growth in the amount of loans originated (18.9%) and the timing of that growth, which was more pronounced in the second half of the year.

2022	£1,179m
2021	£1,026m
2020	£997m

Securitisation Programme size and utilisation

Definition
The total amount of funding available at year-end through our Securitisation Programme, and amount utilised at that date.

Performance commentary
In 2022, we successfully refinanced a maturing Public ABS instrument in Q3, upsizing the new issuance in the process, and in Q4 we established a new private securitisation facility backed by a specific pool of assets in our specialist lending line of business.

2022 (89% drawn)	£1,453m
2021 (84% drawn)	£1,292m
2020 (66% drawn)	£1,448m

Employee engagement

Definition
Results of our most recent engagement survey.

Performance commentary
Our 2022 survey saw an increase in the Engagement Score by five percentage points year-on-year, to 76%. Our employees continue to appreciate the support and direction from their line managers and the interactions with their colleagues. They also understand how their job contributes to the strategic priorities of the business, a reflection of the monthly Executive Committee live online updates and the re-introduction of half-yearly face-to-face town halls.

2022	76
2021	71
2020	78

Customer complaints

Definition
Reportable customer complaints per 100,000 loans written. This is supplemented by the total number of reportable complaints made to the Financial Ombudsman ('FOS').

Performance commentary
Our focus on customer journeys and customer compliance results in a low number of complaints. In addition, regular interactions with the FOS to understand their approach results in a low number of complaints referred to the FOS. Of those referred, six were upheld in favour of the customer in 2022 (two in 2021 and 2020).

	22	21	20
Customer complaints	**272**	331	336
FOS	**20**	22	33

Trustpilot score

Definition
An overall measurement of customer satisfaction based on reviews received on Trustpilot.com, based on time span, frequency and Bayesian average of the reviews.

Performance commentary
Our customer satisfaction level is stable at 4.5 (2021: 4.6), which reflects the critical nature of our products for our customers, the efficient customer onboarding journey, and our strong compliance culture.

Chief Financial Officer's review

Strong progress delivering revenue and profitability growth

Our strong set of results this year are reflective of our focused strategy with our intermediary partners, alongside a supportive lending environment and programmatic delivery.

While markets like motor, travel and tax lending have recovered in 2022 following the easing of COVID-19 restrictions and removal of government support, we were also faced with the wider challenges given the impact of the war in Ukraine on our economy, and the cost of living crisis. This has contributed to a tough economic environment in both the UK and Ireland as a result of high inflation and rising interest rates.

In such an environment, our products become increasingly relevant and our purpose comes to the fore: making our customers and partners' lives more convenient. As a result, we have lent £700 million more in 2022 than in the prior year.

In both the corporate and the personal lines insurance business, we had set some challenging targets this year and the growth we have achieved has exceeded even those. Our service offering has driven growth with our existing intermediary partners and we have also been able to onboard some large new partners.

We saw strong growth in our Adjusted EBITDA this year to a record £79.6 million (2021: £75.7 million), despite our results being impacted by the increase in interest rates seen in 2022, given timing differences between our assets and our liabilities being repriced.

Although funding markets have been challenging as a result of the wider economy, we were very successful at accessing public and private debt markets this year. We were able to upsize our Public ABS issuance, increase the size of our revolving credit facility, and establish a new private securitisation facility backed by a specific pool of assets in our specialist lending line of business. To be able to raise over £600 million of new debt in such a volatile environment speaks to the fundamental strengths of the business and puts us in a really favourable position for our customers and partners.

The strength of the brand and of the strategy has clearly been recognised by our new shareholders. We remain fully in execution mode to maximise the extensive opportunities that lay before us over the coming years.

Andrew Chapman
Chief Financial Officer

Andrew Chapman | Chief Financial Officer

"We have raised over £600 million of new debt despite this year's volatile environment."

Financial review

2022 was a record year for the business. Despite a volatile macroeconomic background, we increased the value of loans originated by 18.9%, our profit before tax by 24.4% and our Adjusted EBITDA by 5.2%.

Net interest income (excluding facility fee income) exceeded £100 million for the first time, following the growth in the loan book and increases in the interest rate charged to our clients, offset by an increase in the cost of our liabilities as the Bank of England increased its Base Rate from 0.25% in January 2022 to 3.5% in December 2022. Facility fees also increased as the result of the full phasing in of a new facility fee on certain products.

Fee income increased following an increase in missed payments and chaser fees. As a result, our Total income grew by 8.8% to £123.8 million (2021: £113.8 million).

Our credit performance remained stronger than in the pre-Covid years, despite net credit losses increasing by £2.5 million year-on-year to £5.2 million, following the withdrawal of government support measures that had been introduced to support businesses and consumers during the pandemic. IFRS 9 provisions remained stable at £5.9 million (2021: £6.0 million).

Finally, our administrative expenses decreased by 6.0%, partly through lower IT expenditure, as a result of improvements to our operating model made over recent years.

These factors led to an operating profit of £67.8 million (2021: £54.6 million), a profit before tax of £67.7 million (2021: £54.4 million) and an Adjusted EBITDA of £79.6 million (2021: £75.7 million).

"The amount of loans originated grew by over £700 million year-on-year, to £4.5 billion."

	2022 £'000	2021 £m	Change £m	Change %
Value of loans originated	**4,544**	3,822	722.0	18.9
Net interest income	**112.2**	106.8	5.4	5.1
Fee income	**16.5**	10.7	5.8	54.2
Total income	**123.8**	113.8	10.0	8.8
Administrative expenses	**56.1**	59.7	(3.6)	(6.0)
Amounts written off on loans to customers	**5.2**	2.7	2.5	92.6
Decrease of impairment provisions on loans to customers[1]	**(0.1)**	(0.5)	0.4	(80.0)
Operating profit	**67.8**	54.6	13.2	24.2
Adjusted EBITDA[2]	**79.6**	75.7	3.9	5.2

1. The reduction in the loan loss provision year on year has been driven by the Company's enhanced underwriting processes together with a reduction in a previously Covid-related provision.
2. 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 value of loans originated grew to a record high £4.5 billion (2021: £3.8 billion). Our insurance premium finance lending grew by 17.6% to £4.0 billion (2021: £3.4 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.

Origination in our specialist lending division increased by 22.3% to £515.3 million (2021: £421 million), driven primarily by increased tax business, school fees, and sports and leisure.

Financial review continued

Net interest income

Net interest income comprises interest earned on our loans to customers and facility fees charged at inception of the loan, less interest payable on our funding. Net interest income increased by 5.0% to £112.2 million (2021: £106.8 million). Interest income increased by £21.1 million year-on-year to £143.9 million (2021: £122.8 million), driven by higher origination amounts and higher interest rates.

Another part of the increase in net interest 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 2021, but 2022 is the first year that include the full phasing-in of that fee.

Interest expense nearly doubled to £31.7 million (2021: £16.0 million), caused by the successive increases in the Bank of England's base rates throughout the year. While these increases are reflected in the price of new loans originated, it takes a number of months for the entire loan book to be repriced, and so a portion of the base rate increases had yet to be passed on to our customers at year-end.

Fee income

Fee income includes missed payment fees and chaser fees for unsigned contracts, which are categorised as 'cost recovery'. Our fee income was up £5.8 million (42.2%) year-on-year. The majority of this increase was generated through missed payment fees, which increased to £12.5 million (2021: £8.6 million), reflecting a normalisation in the post-pandemic credit performance, particularly in the second half of the year. In 2022, we have reduced our missed payment charge to consumers, tightened our affordability criteria, and continued to adopt a proactive approach in waiving missed payment fees for customers subject to temporary financial difficulties.

Administrative expenses

Administrative expenses have decreased by £3.6 million or 6.0% year-on-year, notably through IT-related expenditure which decreased by £1.6 million year-on-year to £2.4 million. Excluding foreign currency movements, depreciation and amortisation, write-offs, and the receipt of an extraordinary insurance claim in respect of an IT incident in 2018, expenses increased by 6.7% (£3.0 million).

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 2022, write-offs on loans to customers, net of recoveries, amounted to £5.2 million (2021: £2.7 million), as the macro environment in which we operate impacted both our consumer and our corporate customers.

Despite the increase, the level of write-offs observed in 2022 remains below our pre-Covid levels, reflecting our conservative underwriting policy.

IFRS 9 impairment provisions decreased by £0.1 million to £5.9 million in 2022 due to the Company's enhanced underwriting processes together with a reduction in a previously Covid-related provision, while in 2021 the Company had decreased its provisions by £0.5 million.

Adjusted EBITDA – reconciliation to IFRS Profit before tax

£m	2022 £m	2021 £m
Profit before tax	**67.7**	54.4
Depreciation and amortisation	**5.7**	6.1
Investment in new information technology	**3.9**	5.1
Write-off of Securitisation Programme fees	**2.4**	3.7
Operational restructuring costs	**1.7**	1.2
Foreign currency (gain)/loss	**(3.3)**	2.1
Extraordinary insurance claim receipt [1]	**(1.6)**	–
Costs related to property not in use	**1.7**	(0.1)
Strategy review- external professional fees	**1.7**	1.6
Equity review costs	**(0.1)**	0.4
Other [2]	**(0.2)**	1.2
Adjusted EBITDA [3]	**79.6**	75.7

1. For 2022, this represents an extraordinary insurance claim receipt in respect of an IT incident in 2018.
2. This includes (£1.0m) for the release of a provision in relation to historical operations (2021: £1.0m) offset by interest expense on facilities not required in the ordinary course of business (£0.8m) (2021: £1.0m).
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.

Financial review continued

Cash

At 31 December 2022, the Company had a cash balance of £45.3 million, a decrease of 58.4% from 2021 (£108.9 million). The majority of this was in the form of an intercompany loan to a holding company following the sale of the group in November 2022.

Loans to customers

Loans to customers increased by £365.7 million to £1,931.0 million at 31 December 2022 (2021: £1,565.3 million). Those loans which had already been disbursed to our partners (the 'outstanding funded principal balance') as at 31 December 2022 amounted to £1,356.3 million (2021: £1,136.6 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'), a separate securitisation bank facility (the 'Securitisation Facility') 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 April 2021 for £283.5 million with a reinvestment period end-date of October 2023 and a final legal maturity of October 2025, and one issued in July 2022 for £459.3 million with a reinvestment period end-date of July 2024 and a final legal maturity of July 2026.

During 2022, we repaid a public asset-backed securities series at its first call date, for an amount of £378 million. The public asset-backed issues are rated by Moody's and DBRS, with up to 87.5% of the issuance rated Aaa/AAA.

The Securitisation Programme also comprises a £630 million (2021: £630 million) variable funding notes facility (the 'VFN') with a reinvestment period end-date of July 2024. The VFN was established in 2012 and has benefitted from regular extensions or amendments; it is provided by a syndicate of banks and was last amended in July 2021.

Finally, the Securitisation Programme comprises a £40 million (2021: £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 2022 (2021: £nil).

The Securitisation Facility was established in November 2022, and finances certain asset classes originated by our Specialist Lending division. The Securitisation Facility's size as at 31 December 2022 was £80 million (2021: nil) and had a reinvestment period end-date of November 2025.

The Securitisation Programme and Securitisation Facility (excluding the ITN facility) had a total size at 31 December 2022 of £1,452.8 million (2021: £1,292 million). As at that date, £1,300 million was drawn down (2021: £1,084 million). The undrawn portion of the Securitisation Programme and the Securitisation Facility is available to fund growth in the business.

In November 2022, we cancelled our £10 million bank RCF (2021: £10 million), and replaced it with a new £35 million RCF granted to our parent company Platinum Credit Bidco Limited, but available for us to draw upon. The new RCF matures in May 2029, and was not drawn as at 31 December 2022 (2021: £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 three years.

Risk management

Managing risk is a core aspect of our management and governance.

Our risk management processes seek to balance risk and potential reward, allowing us to achieve our strategic priorities while operating within our risk appetite.

Risk appetite

Our risk appetite is consistent with our aim to take appropriate and managed risks as we work to achieve our strategic objectives, while maintaining our reputation as a safe and trusted financier of choice.

We manage risks within our defined limits through risk identification, data analysis and risk measurement, and transparent decision making.

We may accept moderate risk exposure in limited areas and periods in order to pursue attractive commercial opportunities, but have no tolerance for higher risk positions. Should higher risk situations arise, we manage these to within acceptable limits in strictly defined timeframes.

We design our approach to responsibilities for risk management and internal controls in line with the size and complexity of our business. A robust risk management framework, alongside an embedded risk culture, underpins awareness of risk and appropriate behaviours and decision making about risk taking throughout the Company. Our approach to risk management seeks to:

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

Risk management framework

We manage our principal risks using our enterprise risk management framework to ensure alignment of risk management, strategy and governance, that the business operates within a clearly understood risk appetite, that risks are managed with robust systems, controls and reporting; and that risk management is supported with appropriate corporate governance structures.

Board and Committees

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

Executive management

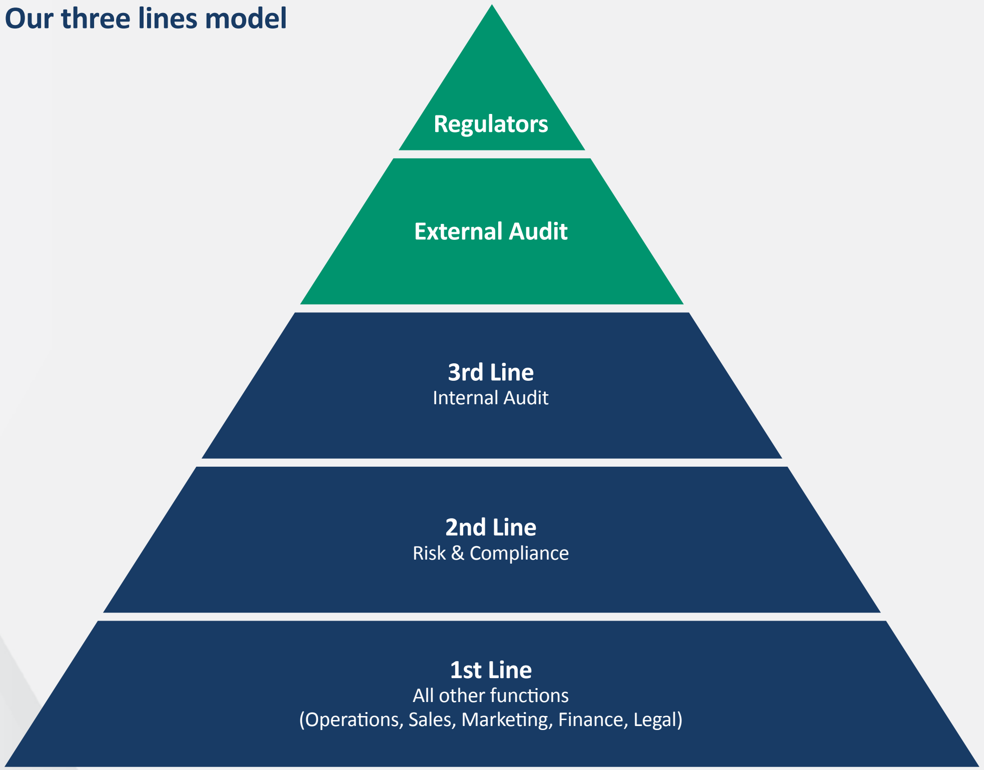
- Establish and execute Premium Credit strategy
- Identification of strategic risks and mitigation plans
- Assurance, oversight and monitoring of risks, processes and controls
- Top-down reviews

Business unit functional heads

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

Risk management continued

Our three lines model



Underwriting

Our approach to underwriting is based on sophisticated individual credit assessments and is combined with the automated efficiencies of a score decision-making process. Applicant information is merged with credit reference agency data to form a complete view of the applicant's creditworthiness and their desired borrowing.

Core information is checked through documentation and statistical data to assess the applicant's ability to pay the amounts contracted in the loan agreement. When evaluating credit risk the applicant's ability and propensity to repay the loan are the principal factors in the lending decision, even where there is the benefit of contract refundability or recourse against our intermediary partner.

Emerging risk

Our dynamic approach to reviewing regulatory change, sector trends and other external factors allows us to identify emerging risks. Our risk registers take account of both top-down and bottom-up input, allowing the identification of granular risks as well as more significant strategic and operational risks.

Operational resilience

Operational resilience has been an area of particular focus in recent years, driven by regulatory requirements and factors including the Covid pandemic, which has had a minimal impact on the business. Our business continuity and incident management protocols are tested regularly.

Our ISO 22301 accreditation complements our operational resilience framework, reflecting that our systems are prepared to protect against, reduce the likelihood of, respond to and recover from disruptive incidents, ensuring a fast, efficient and seamless response to such situations.

War in Ukraine, and impact on economic environment

We continue to monitor the potential impacts on our business and our stakeholders, which to date have been minimal despite inflationary pressures.

We also remain confident in our approach to analysing and reacting to regulatory change resulting from sanctions and more generally.

Climate change

We are monitoring the effects of climate change and the associated risks for the financial services sector and our business, and have established a Sustainability Committee. See page 12 for more information.

Long-term viability

The business has demonstrated resilience during the challenges of the Covid pandemic, the war in Ukraine and other geopolitical developments.

Our hybrid model of working, our solid performance and strong stakeholder relationships illustrate the strength and flexibility of our business.

Our record of financial performance is also recognised by our funders and is reflected in the support they continue to provide.

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	Mitigation	Risk direction
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.	• 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. • 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. • 2022 has seen an a continued increase in M&A activity in our partner markets. Premium Credit has been well placed to benefit from the consolidation of key strategic partners.	No change

Principal risks and mitigation continued

Financial and Market Risk

Description	Mitigation	Risk direction
The risk that Premium Credit has insufficient capital or liquidity to support stressed conditions, normal operations or growth plans. In particular, interest rate risk is currently heightened.	• 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 2022 we have increased funding facilities to support growth of the business. • 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.	

Governance and Organisational Risk

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

Principal risks and mitigation continued

Credit and Counterparty Risk

Description	Mitigation	Risk direction
Risk that Premium Credit makes inappropriate loans to customers or producers or sets inappropriate exposure levels with individual producers or insurers.	• 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. • 'Cost of Living' support for customers is a priority focus for the management team. • Faced with the various stages of economic uncertainty, 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. • Throughout 2022 the level of bad debt has been below forecasted levels.	

Regulatory and Legal Risk

Description	Mitigation	Risk direction
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.**	• 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. • Formal project in place for the implementation of the new FCA 'Consumer Duty' requirements, which enhances customer protection across financial services.	

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. • Our ongoing sanctions monitoring was updated following the war in Ukraine.	

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 offshore. • Perform periodic on-site visits, including compliance as appropriate.	

Principal risks and mitigation continued

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 Premium Credit depends on the interests of all our stakeholders, which are taken into account in Board decision making. By seeking to understand the interests of different stakeholders through proactive engagement, the Directors ensure decision making is informed and that the development and delivery of our strategy leads to long-term sustainable success for the Company.

This section articulates how the Directors have acted to promote the success of the Company for the benefit of its stakeholders, as required by section 172 of the Companies Act 2006.

In meeting this responsibility during the year ended 31 December 2022, 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 between members of the Company.

Stakeholders	How we engage	Their material issues
Colleagues		
We seek to nurture a high-performance culture in which colleagues feel engaged and empowered to deliver on their objectives and are accountable for their work.	• Hybrid working model with offices fully open • Regular team meetings online and face-to-face • Internal mental health first aiders • Annual engagement survey • Performance evaluations	• Health in an uncertain world, wellbeing including mental health challenges 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 support more than two million retail, SME and corporate clients with spreading the cost of essential products such as insurance, and doing so in a responsible and compliant way.	• Customer feedback tools (Trustpilot, satisfaction surveys) • Dedicated complaints team within our contact centre • Mechanics to support customers with financial difficulties	• Seamless and intuitive products and solutions • Appropriate products with clear information • Further help and support where necessary • Customer service
Partners		
Our network includes more than 3,000 partners. These diverse relationships are crucial for allowing access to end-customers.	• Regular performance meetings • Sharing of insights and analytics • Co-development of sales and marketing strategies • Internal training	• Seamless and intuitive products and solutions for their customers • Building long-term partnerships

Operating for the benefit of all our stakeholders continued

Stakeholders	How we engage	Their material issues
Shareholders		
Effective communication with shareholders is vital to understand and meet their needs and expectations.	• Attendance at Board meetings • One-to-one meetings • Monthly performance reporting (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		
Investors in our asset-backed securities 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 with regulatory and industry bodies and other relevant stakeholders to ensure we operate 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 our responsibilities to society and to the communities in which we operate.	• Partnership with Insurance United Against Dementia • Internal 'Team Premium' acting as ambassadors for our values and our community • Reduce amount of printed material • Increase proportion of electric cars among salesforce	• 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 26 April 2023 and signed on its behalf by:

T-Waite

Tara Waite
Director

Board of Directors

Scott Egan
Non-Executive Chairman

Scott has 25 years of insurance industry experience across international listed as well as private-equity backed businesses. He is the CEO of SiriusPoint, a global insurer and reinsurer, which he joined in September 2022. Previously he worked at Royal Sun Alliance UK & International, initially as CFO and latterly as CEO of its UK and international business. He has held senior positions at a number of companies including Aviva, Zurich Financial Services, Brit Insurance and Towergate Broking. Scott holds an MBA from Cranfield University and is a qualified accountant.

Tara Waite
Chief Executive Officer

Tara became CEO in 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 group, 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 became CFO in 2018. He joined Premium Credit in 2004, initially in the Financial Planning & Analysis team, before being appointed as head of Treasury & Investor Relations team and then CFO. 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. 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 holds FCCA status.

Kory Sorenson
Non-Executive Director

Chair of the Audit, Risk and Compliance Committee

Kory brings 30 years of experience in financial services and a decade as a non-executive director of public, private and non-profit companies across Europe and North America. She currently holds Audit, Risk, Remuneration and Sustainability Chair roles at Phoenix Group Holdings (UK), Pernod Ricard (FR), SGS SA (CH) and the AA Ltd (UK). As an executive, Kory was Managing Director, Head of Insurance Capital Markets of Barclays Capital and held senior positions at Credit Suisse, Lehman Brothers and Morgan Stanley. Kory holds a post-graduate degree in corporate finance from l'Institut d'études politiques de Paris, a master's in applied economics from the University of Paris-Dauphine, a bachelor's in econometrics and political science from the American University in Washington, D.C.

Board of Directors continued

John Lumelleau
Non-Executive Director

John is the former President and CEO of Lockton Companies, a position he held for 15 years. Lockton is the largest privately held independent insurance broker in the US and a top ten insurance broker globally. In his tenure, Lockton grew from USD92 million in revenue in six offices to a global organization with over USD1.3 billion in revenue and 85 offices. John continues to serve on the board of Lockton, Inc. He has also served as Chair of Orchid Insurance, and on the Boards of Directors of The Council of Insurance Agents and Brokers and Missouri Chamber of Commerce 2030 Steering Committee. Currently, John serves on the Board of Directors of Insperity, Inc, the Management Advisory Board of TowerBrook Capital Partners and the Fordham University Board of Trustees.

Joseph Knoll
Investor Director

Chair of the Remuneration Committee

Joe is a Managing Director of TowerBrook and sits on the firm's Investment Committee. Previously, he was a Director of York Capital where he helped build the European distressed and event-driven credit business. Joe also sat on numerous Boards, both Public and Private, on behalf of York. Prior to joining York in 2008, he was the founding member of the Principal Investing Group of Morgan Stanley based in London and New York. Joe started his career at Merrill Lynch in the leveraged finance team in New York and earned his B.S. from Yeshiva University. He is a Trustee of City Year UK and a member of the Advisory Council of Black Women in Asset Management.

Victor Na
Investor Director

Victor is a Senior Principal at TowerBrook. Previously, Victor was an Executive Director in the Investment Banking Division at Goldman Sachs in London, focusing on Financial Institutions. Prior to joining Goldman Sachs in 2013, he was a member of the Fixed Income, Currencies and Commodities group at UBS based in London and Hong Kong. Victor is a graduate from both École Polytechnique and École Nationale des Ponts et Chaussées in Paris.

Executive Committee

Tara Waite
Chief Executive Officer

Joined 2019

See the Board of Directors on page 40 for Tara's biography.

Andrew Chapman
Chief Financial Officer

Joined 2004

See the Board of Directors on page 40 for Andrew's biography.

Jon Howells
Chief Commercial Officer IPF UK

Joined 2019

Jon 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.

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

Executive Committee continued

Owen Thomas
Chief Sales Officer

Joined 2019

Owen 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.

Josie Pileio
Chief Operations and People Officer

Joined 2019

Josie 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.

Duncan Gray
Chief Information Officer

Joined 2017

Duncan 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

Introduction to our governance principles and framework

Premium Credit has a robust governance framework

As part of TowerBrook Capital Partners acquiring the business, five new Non-Executive Directors have been appointed to the Board, including three independent members. The purpose of the Board and its Committees remains unchanged: to play a key role in providing the necessary direction, challenge and support to the business and ensure that best-in-class governance exists throughout the Company.

Kory Sorenson | Non-Executive Director

The new Board has been composed to bring together a diverse group of individuals with extensive executive and non-executive expertise, deep knowledge of the insurance and financial services sectors, and the strategic skillset to drive the business forward. Individual biographies can be found on page 40.

The key governance principles of openness, honesty, propriety, diligence and accountability that have been in place for a number of years remain core, and members of the previous and incoming boards have worked closely together to ensure a smooth transition.

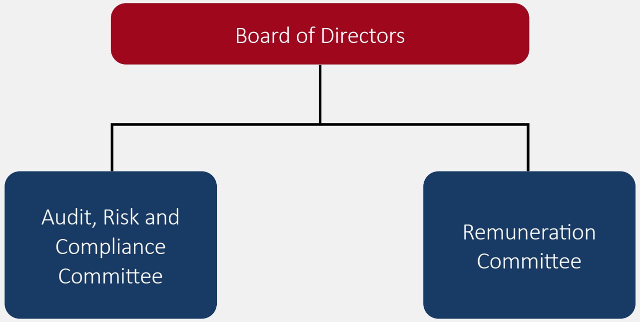
My fellow Board members and I are very engaged and excited about the opportunity to develop the Premium Credit business with best-in-class governance to ensure best outcomes for our customers and the business going forward.

Kory Sorenson
Chair of the Board's Audit,
Risk and Compliance Committee

"We ensure the continuation of the robust framework and principles of governance that the Company has established over a number of years."

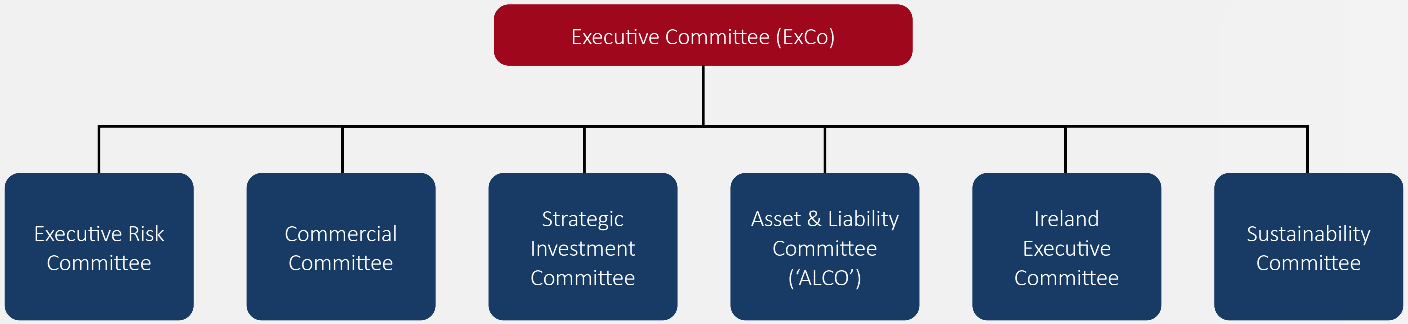
Our corporate governance

The Board has overall responsibility for setting the strategic direction of the Company. 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 and robustness of financial reporting, financial controls, and risk management, and that they support effective corporate governance.



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 47.



Our corporate governance continued

The Board

The Board determines the Company's strategy and oversees business performance, meeting at least four times during the year.

Each Board committee operates within agreed terms of reference and has access to the resources required for its duties to be undertaken. Any Director unable to attend a meeting is provided with the relevant materials, and any comments are reported to meeting attendees.

Directors attended several additional meetings and contributed to discussions outside of 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 Kory Sorenson (Chair), Joseph Knoll, Victor Na, Scott Egan, John Lumelleau, Tara Waite and Andrew Chapman. 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 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;
- 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 in respect of Covid recovery, and any impact of the conflict in Ukraine on the wider economy;
- The firm's response to the cost of living crisis and implementation of new Financial Conduct Authority Consumer Duty requirements;
- 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, particularly in the context of supporting our new hybrid working model; and
- Proactive risk management through controls and risk registers.

Internal audit

The Committee reviews and approves the remit and scope of the outsourced internal audit function and ensures access to requisite resources and information. The Committee considers the findings from internal audit reviews, and reviews progress against actions agreed as a result of previous audits.

During the year, the Committee approved the Internal Audit plan based upon an evaluation of key risks. Thirteen internal audits were completed during the year.

Our corporate governance continued

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
We have an established process enabling colleagues to report, in confidence, any elements of concern, designed to ensure 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
Premium Credit seeks to generate profitable growth by taking appropriate 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 element of Premium Credit's management, both at strategic and operational levels. The Company has established a framework supported by a formal governance structure to provide an enterprise-wide view of risk management, to be able to identify, measure, monitor, manage and report risks that could influence the achievement of strategic objectives. The risk management framework is overseen by the Audit, Risk and Compliance Committee on behalf of the Board.

Our risk management framework, principal risks and mitigating factors, can be found from page 31.

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 significant alterations to employee benefit schemes.

The Committee comprises Non-Executive Directors Joseph Knoll and Victor Na. It meets twice during the year and its agenda is linked to 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 several sub-committees to assist in the management of the business, and to implement strategic objectives effectively.

Executive Risk Committee
The Executive Risk Committee comprises all of the Executive Committee members and is attended by heads of the relevant functions. The Committee is chaired by the Head of Risk and Compliance, and is responsible for:

- Overseeing and monitoring operational risk management and compliance processes;
- Monitoring counterparty and conduct risk presented by any trading partner of the Company, and 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
Chaired by the Chief Financial Officer, the Commercial Committee is responsible for the approval of transactions of a size that fall outside of individual Executive Committee members' but within Directors' approval limits.

The Committee is also responsible for setting input metrics for the pricing model, approving new intermediary partners above a certain size, as well as cost recovery fee exceptions.

Our corporate governance continued

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, and for reviewing monthly updates for 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.

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 2022.

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 04. The KPIs on page 25 and the financial review on page 28 contain highlights of the results for the year.

The strategy on page 05 and the Chief Executive Officer's review on page 10 provide details of our future outlook.

The Company generated a profit before tax for the year ended 31 December 2022 of £67.7 million (2021: £54.4 million), and no dividend was paid during the year (2021: £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 33 to 37.

Change of ownership

In May 2022, TowerBrook Capital Partners ('TowerBrook'), announced the acquisition of Pomegranate Topco Limited (the ultimate holding company of the Company) by Platinum Credit Bidco Limited, a newly incorporated company owned and controlled by TowerBrook. The acquisition was completed on 9th November 2022 following receipt of relevant regulatory approvals, including from the UK's Financial Conduct Authority.

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 tail end of the COVID-19 pandemic, inflationary pressures on energy and commodities prices generated by the global macroeconomic uncertainty, and the resulting 'cost of living' issues.

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 Platinum Credit Holdco 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' report continued

Directors

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

- Scott Egan, Chairman (appointed 9 Nov. 2022)
- Peter Catterall (resigned 9 Nov. 2022)
- Andrew Chapman
- Maxim Crewe (resigned 9 Nov. 2022)
- Rebecca Hunter (Née Abrey) (resigned 9 Nov. 2022)
- Colin Keogh (resigned 9 Nov. 2022)
- Joseph Knoll (appointed 9 Nov. 2022)
- John Lumelleau (appointed 9 Nov. 2022)
- Simon Moran (resigned 9 Nov. 2022)
- Victor Na (appointed 9 Nov. 2022)
- Kory Sorenson (appointed 9 Nov. 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.

Directors' duties

The Directors have an obligation to act in accordance with a general set of duties which are set out in section 172 of the UK Companies Act 2006. The matters the Directors must have regard to are set out on page 38. The Directors consider that they have acted in accordance with those duties in the year ended 31 December 2022; explanations of how the Directors have considered those matters are included on pages 38 and 39.

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 2022. 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.

Following the Covid pandemic, during which we worked mostly remotely, we reopened our offices on a voluntary basis in September 2021 as part of our hybrid working model.

We have provided additional health and safety training in relation to home-working, and have undertaken home workstation assessments and PAT testing of Company equipment used at home, to ensure the wellbeing and safety of our colleagues. There were no reportable incidents in the workplace during 2022.

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 17.

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 18.

Directors' report continued

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

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

The Company has an established whistleblowing framework which enables employees to raise issues when they feel it is appropriate, and which ensures that no employee making such disclosure will suffer any consequent disadvantage. There were no whistleblowing incidents in 2022 (2021: one).

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 £6,136.31 (2021: £200) 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 26 April 2023 and signed on its behalf by:

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 2022 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 2022; 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.

Independent auditors' report to the members of Premium Credit Limited continued

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 2022 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.

Independent auditors' report to the members of Premium Credit Limited continued

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.

Chris Shepherd.

Chris Shepherd (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, London
26 April 2023

Income statement
For the year ended 31 December 2022

	Note	2022 £'000	2021 [1] £'000
Interest income	5	**143,862**	122,756
Interest expense	5	**(31,704)**	(15,976)
Net interest income	5	**112,158**	106,780
Fee income	6	**16,475**	10,662
Commission expense	7	**(4,879)**	(3,644)
Total income		**123,754**	113,798
Administrative expenses	8	**(56,056)**	(59,678)
Net impairment gains on loans to customers	16	**105**	477
Operating profit	8	**67,803**	54,597
Finance income	10	**85**	84
Finance expenses	11	**(201)**	(238)
Profit before tax		**67,687**	54,443
Income tax credit/(expense)	12	**869**	(3,368)
Profit for the financial year		**68,556**	51,075

1 2021 Interest income and Fee income has been restated, please refer to Note 2 (u).

Statement of comprehensive income
For the year ended 31 December 2022

	2022 £'000	2021 £'000
Profit for the financial year	**68,556**	51,075
Other comprehensive income/(expense)		
Items that may subsequently be reclassified to the income statement:		
Foreign currency translation gains/(losses)	**2,268**	(2,454)
Other comprehensive income/(expense) for the year	**2,268**	(2,454)
Total comprehensive income for the year	**70,824**	48,621

Balance sheet
As at 31 December 2022

	Note	2022 £'000	2021 £'000
Assets			
Non-current assets			
Intangible assets	13	**7,739**	5,803
Property, plant and equipment	14	**2,079**	2,736
Right-of-use assets	15	**3,430**	4,031
Loans to customers	16	**6,177**	3,725
Prepayments and other receivables	17	**124**	366
Deferred tax assets	18	**405**	387
Total non-current assets		**19,954**	17,048
Current assets			
Loans to customers	16	**1,924,871**	1,561,534
Prepayments and other receivables	17	**240,181**	132,862
Corporation tax receivable		**5,558**	620
Cash and cash equivalents	19	**45,273**	108,889
Total current assets		**2,215,883**	1,803,905
Total assets		**2,235,837**	1,820,953
Liabilities			
Non-current liabilities			
Lease obligations	20	**3,127**	3,822
Total non-current liabilities		**3,127**	3,822
Current liabilities			
Lease obligations	20	**911**	793
Trade and other payables	21	**1,865,406**	1,521,374
Provisions for liabilities	22	**1,855**	1,250
Total current liabilities		**1,868,172**	1,523,417

	Note	2022 £'000	2021 £'000
Total liabilities		**1,871,299**	1,527,239
Equity			
Called up share capital	23	**10**	10
Retained earnings		**362,958**	294,402
Other reserves	24	**1,570**	(698)
Total shareholders' funds		**364,538**	293,714
Total equity and liabilities		**2,235,837**	1,820,953

The financial statements on pages 52 to 77 were approved by the Board of Directors on 26 April 2023 and signed on its behalf by:

Tara Waite
Director

Statement of changes in equity
For the year ended 31 December 2022

£'000	Called up share capital	Retained earnings	Other reserves	Total equity
At 1 January 2021	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
Profit for the financial year	**–**	**68,556**	**–**	**68,556**
Foreign currency translation gains	**–**	**–**	**2,268**	**2,268**
Total comprehensive income for the year	**–**	**68,556**	**2,268**	**70,824**
At 31 December 2022	**10**	**362,958**	**1,570**	**364,538**

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 2021 Annual Report and Financial Statements. 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 constituted a change in accounting framework however, there was no impact on recognition, measurement or disclosure 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 consolidated 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. 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.

The Directors have reviewed these forecasts, and taken into account the forecast covenant compliance position of the wider Platinum Credit Holdco Limited group (due to the potential repercussions on the Company) following the change of ownership during the year from the Cinven Fifth Fund to TowerBrook Capital Partners (U.K.) LLP, who act as sub-advisor to TowerBrook Investors V (Onshore), L.P., TowerBrook Investors V (892), L.P., TowerBrook Investors V (OS), L.P., TowerBrook Investors V (TE), L.P and TowerBrook Investors V Executive Fund, L.P. 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. Administration and facility fees are initially measured at historical cost; they are subsequently measured at amortised cost using the effective interest rate ('EIR') method.

(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.

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.

2. ACCOUNTING POLICIES continued

(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 ('FVTPL').

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'.

2. ACCOUNTING POLICIES continued

Financial liabilities

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

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

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

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

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

In relation to the above:

- **'Lifetime ECL'** is defined as ECL that results 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.

Notes to the financial statements continued

2. ACCOUNTING POLICIES continued

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 2022 was £2.7 million (2021: £1.9 million).

Calculation of expected credit losses ('ECL')
At 31 December 2022, 99.7% (2021: 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, together with the Cost of Living crisis seen during 2022. 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 uses limited 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

Notes to the financial statements continued

2. ACCOUNTING POLICIES continued

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

(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.

Notes to the financial statements continued

2. ACCOUNTING POLICIES continued

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

To determine the incremental borrowing rate, the Company:

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

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

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

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

(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

New accounting standards and amendments to accounting standards have been issued by the IASB, which are not yet effective and have not been early adopted by the Company. These are set out below:

- Insurance contracts – Amendments to IFRS 17 (effective for periods beginning 1 January 2023 or when applying IFRS 15). No impact expected.

Notes to the financial statements continued

2. ACCOUNTING POLICIES continued

(u) Restatements

For 2021 we have restated our facility fee income from the fee income line to the interest income line by £9.3 million as they are integral to the underlying loan. Facility fees are charged at inception of the loan, and designed to compensate for the increased regulatory cost of onboarding and monitoring our customers.

The 2021 maturity profile of Loans to customers has also been restated by £36.8 million to reflect future interest earned.

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 cost of living crisis has resulted in a change from historic norms in the repayment and termination profiles of the loans written by the business. Following the impacts of COVID-19, together with the Cost of Living crisis seen during 2022, an overlay has been applied to the Company's standard ECL modelling to establish an appropriate impairment provision.

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 approximately 34% would result in an increase to the impairment provision for 2022 by £2.0 million (2021: 25%, £1.5 million).

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

Notes to the financial statements continued

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

(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.

(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 cash flows. 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.

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

	2022 £'000	2021 £'000
Interest receivable on:		
Interest income on loans to customers	**138,172**	118,885
Facility fee income	**11,866**	9,253
Cost of sales: incentives	**(6,176)**	(5,382)
Interest income	**143,862**	122,756
Interest payable on:		
Amounts owed to related party	**(31,704)**	(15,976)
Interest expense	**(31,704)**	(15,976)
Net interest income	**112,158**	106,780

Interest payable on amounts owed to related party is SONIA linked interest payable to PCL Asset Trustee Limited, a special purpose securitisation vehicle (2021: LIBOR/SONIA linked interest payable to PCL Asset Trustee Limited).

6. FEE INCOME

	2022 £'000	2021 £'000
Administration fees	**16,475**	10,662
Fee income	**16,475**	10,662

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

Notes to the financial statements continued

7. COMMISSION EXPENSE

	2022 £'000	2021 £'000
Commission expense	**4,879**	3,644

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

8. OPERATING PROFIT

Administrative expenses

	2022 £'000	2021 £'000
Staff costs:		
Wages and salaries	**22,471**	22,997
Social security costs	**3,258**	3,050
Other pension costs	**1,370**	1,404
Total staff costs	**27,099**	27,451
Non-staff costs:		
Other administration costs	**19,012**	17,278
IT-related expenditure	**2,438**	4,029
Foreign currency (gain)/loss	**(3,338)**	2,061
Depreciation and amortisation	**5,690**	6,111
Amounts written off on loans to customers	**5,156**	2,748
Total non-staff costs	**28,958**	32,227
Total administrative expenses	**56,057**	59,678

During the year the Company finalised its cyber insurance claim with its corporate insurer in relation to the losses incurred following the 2018 cyber-attack. A settlement was made during the year of £1.6 million which has been recognised within Other administration costs.

Operating profit is stated after (crediting)/charging:

	2022 £'000	2021 £'000
Operating lease rentals	**(28)**	(137)
Depreciation charge on property, plant and equipment and right-of-use assets (Notes 14 and 15)	**1,874**	1,828
Amortisation charge on intangible assets (Note 13)	**3,820**	4,289
Impairment of loans to customers	**5,044**	2,271
IT-related expenditure	**2,438**	4,029

Impairments of loans to customers

	2022 £'000	2021 £'000
Movement in expected credit losses allowance (Note 16)	**(105)**	(477)
Amounts written off during the year as uncollectible, net of recoveries	**5,156**	2,748
Impairment of loans to customers	**5,051**	2,271

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.

	2022 £'000	2021 £'000
Audit services	**712**	542
Other assurance services	**–**	–
Total auditors' remuneration	**712**	542

The above fees for audit services are borne by PCL and include all entities within the Platinum Credit Holdco Limited group. Please refer to Note 32 for details on the group.

Notes to the financial statements continued

8. OPERATING PROFIT continued

Employees

The average monthly number of employees (including Executive Directors) employed by the Company during the year was 397 (2021: 396), and at year end it was 430 (2021: 391). All employees are engaged in the financing of insurance premiums and instalment services and are split into the following functions:

	2022	2021
Operations	**182**	171
General and administration	**152**	160
Sales and marketing	**63**	65
Average monthly number of employees	**397**	396

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 (2021: £nil).

9. DIRECTORS' EMOLUMENTS

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

	2022 £'000	2021 £'000
Aggregate emoluments	**1,724**	1,810
Total emoluments	**1,724**	1,810

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

No retirement benefits are accruing to Directors (2021: £nil) under the Company's defined contribution pension scheme.

The total emoluments of the highest paid Director were £0.8 million (2021: £0.9 million). No contributions were made in respect of money purchase schemes to the highest paid Director (2021: £nil).

10. FINANCE INCOME

	2022 £'000	2021 £'000
Interest receivable on:		
Loans to Group undertakings	**85**	84
Finance income	**85**	84

11. FINANCE EXPENSES

	2022 £'000	2021 £'000
Interest payable on:		
Interest charges payable for lease liabilities	**201**	238
Finance expenses	**201**	238

12. INCOME TAX EXPENSE

Income tax expense

	2022 £'000	2021 £'000
Current tax expense – current year	**(13)**	2,681
Current tax (credit)/expense – prior year	**(1,614)**	275
Total current tax	**(1,627)**	2,956
Deferred tax expense – current year	**(18)**	5
Deferred tax credit – prior year	**–**	(2)
Total deferred tax	**(18)**	3
Foreign tax	**776**	409
Total foreign tax	**776**	409
Total tax (credit)/expense	**(869)**	3,368

Notes to the financial statements continued

12. INCOME TAX EXPENSE continued

The headline rate of UK corporation tax remains at 19% for 2022. On 17 October 2022, the Chancellor of the Exchequer confirmed that in line with the previously enacted legislation the UK corporation tax rate will increase to 25% from 1 April 2023. In line with the requirements of IAS 12, these enacted tax rates have been used to determine the deferred tax balances at 31 December 2022 based on the timing of their expected reversals.

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

	2022 £'000	2021 £'000
Profit before taxation	**67,687**	54,443
Profit before taxation multiplied by tax rate in the UK of 19.00% (2021: 19.00%)	**12,861**	10,344
Factors affecting expense for the year:		
Non taxable income	**(43)**	–
Expenses not deductible for tax purposes	**147**	65
Adjustment to prior years – current tax	**(1,614)**	275
Adjustment to prior years – deferred tax	**(1)**	(2)
Effects of rate change	**8**	(105)
Double tax relief	**(772)**	(409)
Overseas tax	**772**	409
Effect of group relief	**(12,227)**	(7,209)
Total tax expense	**(869)**	3,368

13. INTANGIBLE ASSETS

	Assets under construction £'000	Software £'000	Total £'000
Net carrying value at 31 December 2021	1,249	4,554	5,803
Cost			
At 1 January 2022	**1,249**	**25,407**	**26,656**
Additions	**5,756**	**–**	**5,756**
Disposals	**–**	**–**	**–**
Transfers	**(3,625)**	**3,625**	**–**
At 31 December 2022	**3,380**	**29,032**	**32,412**
Accumulated amortisation			
At 1 January 2022	**–**	**20,853**	**20,853**
Amortisation	**–**	**3,820**	**3,820**
Disposals	**–**	**–**	**–**
At 31 December 2022	**–**	**24,673**	**24,673**
Net carrying value at 31 December 2022	**3,380**	**4,359**	**7,739**

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 2021	1,451	1,285	2,736
Cost			
At 1 January 2022	**2,876**	**6,543**	**9,419**
Additions	**26**	**201**	**227**
Disposals	**–**	**(35)**	**(35)**
Exchange adjustments	**–**	**2**	**2**
At 31 December 2022	**2,902**	**6,711**	**9,613**
Accumulated depreciation			
At 1 January 2022	**1,425**	**5,258**	**6,683**
Depreciation	**289**	**596**	**885**
Disposals	**–**	**(34)**	**(34)**
At 31 December 2022	**1,714**	**5,820**	**7,534**
Net carrying value at 31 December 2022	**1,188**	**891**	**2,079**

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 2021	4,005	26	4,031
Cost			
At 1 January 2022	**6,497**	**184**	**6,681**
Additions	**–**	**388**	**388**
Disposals	**–**	**(271)**	**(271)**
Exchange adjustments	**3**	**–**	**3**
At 31 December 2022	**6,500**	**301**	**6,801**
Accumulated depreciation			
At 1 January 2022	**2,492**	**158**	**2,650**
Depreciation	**854**	**135**	**989**
Disposals	**–**	**(271)**	**(271)**
Exchange adjustments	**4**	**(1)**	**3**
At 31 December 2022	**3,350**	**21**	**3,371**
Net carrying value at 31 December 2022	**3,150**	**280**	**3,430**

16. LOANS TO CUSTOMERS

	2022 £'000	2021 £'000
Gross loans to customers	**1,936,998**	1,571,298
Less: allowance for impairment	**(5,950)**	(6,039)
Net loans to customers	**1,931,048**	1,565,259
Split as:		
Current	**1,924,871**	1,561,534
Non-current	**6,177**	3,725

Notes to the financial statements continued

16. LOANS TO CUSTOMERS continued

At 31 December 2022, £1,236.7 million (2021: £1,148.1 million) of loans to customers had their beneficial interest assigned to SPV entities as collateral for securitisation transactions. Although the beneficial interest has been assigned to an SPV, the assets remain on the balance sheet as they do meet derecognition criteria because Premium Credit Limited still has the risk and rewards.

The following table shows impairment provisions for loans:

	2022 £'000	2021 £'000
1 January	**6,039**	6,545
Charge off to provision	**(6,039)**	(6,545)
Increase in provision	**5,934**	6,068
Foreign exchange adjustments	**16**	(29)
At 31 December	**5,950**	6,039

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

2022	Stage 1	Stage 2	Stage 3	Total
Loans to customers (£'000)	**1,923,674**	**7,137**	**6,187**	**1,936,998**
Allowance for ECL (£'000)	**3,928**	**416**	**1,606**	**5,950**
Coverage ratio	**0.2%**	**5.8%**	**26.0%**	**0.3%**

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%

17. PREPAYMENTS AND OTHER RECEIVABLES

	2022 £'000	2021 £'000
Amounts due from Group undertakings	**229,663**	124,755
Prepayments and other debtors	**10,642**	8,473
Prepayments and other receivables	**240,305**	133,228
Split as:		
Current	**240,181**	132,862
Non-current	**124**	366

Amounts due from Group undertakings are unsecured and consists of two loans. A loan of £7.2 million (2021: £7.2 million) was made to Vendcrown Limited which is repayable on demand within three business days of written notice from the lender and which earns interest at a rate of 1% (2021: 1%) per annum, with a total accrued interest of £0.8 million, as well as a loan of £221.7 million (2021: £116.9 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 £10.6 million (2021: £8.5 million) include £0.3 million (2021: £0.6 million) of fees relating to undrawn facilities.

18. DEFERRED TAX ASSET

Deferred tax included in the balance sheet is as follows:

	2022 £'000	2021 £'000
Balance as at 1 January	**387**	389
Deferred tax (credit)/charge for the year attributable to:		
Deferred tax charge in respect of current year	**26**	(109)
Adjustments in respect of prior period	**–**	2
Effect of rate change	**(8)**	105
Deferred tax asset as at 31 December	**405**	387

Notes to the financial statements continued

18. DEFERRED TAX ASSET continued

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

	2022 £'000	2021 £'000
Deferred tax due within 12 months	**(25)**	(59)
Deferred tax due in more than 12 months	**430**	446
Carrying amount at year end	**405**	387

There are no unused tax losses or unused tax credits (2021: nil).

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

	2022 £'000	2021 £'000
Accelerated capital allowances	**389**	368
s1308 R&D intangible fixed asset	**16**	19
Carrying amount at year end	**405**	387

19. CASH AND CASH EQUIVALENTS

	2022 £'000	2021 £'000
Bank balances	**45,273**	108,889
Cash and cash equivalents	**45,273**	108,889

£nil of the 2022 cash figure was encumbered to the SPVs (2021: £3.7 million).

20. LEASE OBLIGATIONS

a) Liabilities

The balance sheet shows the following amounts relating to leases:

	2022 £'000	2021 £'000
Buildings	**3,795**	4,601
Vehicles	**243**	14
Lease obligations	**4,038**	4,615

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:

	2022 £'000	2021 £'000
Interest expense (included in Finance expense)	**201**	238
Expense relating to short-term leases (included in Administrative expenses)	**18**	2
Depreciation (included in Administrative expenses)	**989**	1,023

21. TRADE AND OTHER PAYABLES

	2022 £'000	2021 £'000
Trade payables	**615,574**	468,581
Amounts owed to Group undertakings	**1,236,260**	1,039,694
Accruals	**11,850**	11,686
Social security and other taxes	**1,133**	721
Other creditors	**559**	692
Total trade and other payables	**1,865,376**	1,521,374

Notes to the financial statements continued

21. TRADE AND OTHER PAYABLES continued

Amounts owed to Company undertakings of £1,236.3 million (2021: £1,039.7 million) consists of £1,186.5 million owed to PCL Asset Trustee Limited, offset by the Securitisation Programme set-up fees of £3.2 million (2021: £3.7 million) which are amortised over the behavioural life and £52.0 million (2021: £nil) owed to PCL Funding VII SL Limited. An intercompany balance of £1.0 million (2021: £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. PROVISIONS FOR LIABILITIES

The company had the following provisions during the year:

	Building dilapidation provision £'000	Total £'000
At 31 December 2021	**1,250**	**1,250**
Additions to the income statement	**635**	**635**
At 31 December 2022	**1,885**	**1,885**

Building dilapidation

The Company holds a provision in respect of dilapidations of leased buildings and is responsible for the making good to the building it leased at its Epsom location to the end of November 2016. Discussions with the landlord had been ongoing and in February 2023 a settlement was agreed. These Financial Statements include a provision for the obligation, which at reporting date management believed the best estimate of the anticipated economic outflow based on professional advice.

Expected credit losses

The Company also holds a provision for Expected credit losses on its receivables balance. Please refer Note 16.

23. CALLED UP SHARE CAPITAL

	2022 £'000	2021 £'000
Allotted and fully paid		
10,000 Ordinary Shares (2021: 10,000) of £1 each	**10**	10
10,000 Ordinary Shares (2021: 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 (2021:£1,000,000) in respect of each share held by them.
- There is no right to vote attached to these shares in 2022 or 2021.

24. OTHER RESERVES

	2022 £'000	2021 £'000
At 1 January	**(698)**	1,756
Foreign currency translation reserve	**2,268**	(2,454)
At 31 December	**1,570**	(698)

25. DIVIDENDS

No dividend was paid or declared in 2022 and 2021 and none is proposed.

26. INVESTMENT IN COMPANY UNDERTAKINGS

The Company had no subsidiaries at balance sheet date.

27. CONTINGENT LIABILITIES AND COMMITMENTS

a) Capital commitments

Capital expenditure authorised and contracted for but not provided in the financial statements amounts to £0.1 million (2021: £0.6 million).

Notes to the financial statements continued

28. 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.

2022	FVTPL £'000	Amortised cost £'000	Total £'000
Assets			
Cash and cash equivalents	**–**	**45,273**	**45,273**
Loans to customers	**–**	**1,931,048**	**1,931,048**
Amounts due from Group undertakings	**–**	**229,663**	**229,663**
Total financial assets	**–**	**2,205,984**	**2,205,984**
Liabilities			
Trade and other payables	**–**	**1,866,128**	**1,866,128**
Lease liabilities	**–**	**4,038**	**4,038**
Total financial liabilities	**–**	**1,870,166**	**1,870,166**

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

b) Fair values

The approximate fair value at reporting date of Loans to customers is £1,931.0 million (2021: £1,565.3 million) and Trade and other payables is £1,866.1 million (2021: £1,521.9 million). For all other financial assets and financial liabilities recorded on the balance sheet the fair values is approximately equal to their carrying value.

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).

2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Loans to customers	**–**	**–**	**1,931,048**	**1,931,048**
Amounts due from Group undertakings	**–**	**229,663**	**–**	**229,663**
Total financial assets	**–**	**229,663**	**1,931,048**	**2,160,711**
Liabilities				
Trade and other payables	**–**	**–**	**1,866,128**	**1,866,128**
Lease liabilities	**–**	**4,038**	**–**	**4,038**
Total financial liabilities	**–**	**4,038**	**1,866,128**	**1,870,166**

The fair value of the loans to customers at reporting date is approximately £9 million lower than carrying value, and the fair value of the funding loans at reporting date is approximately £5 million lower than carrying value.

Notes to the financial statements continued

28. 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	–	124,755	1,565,259	1,690,014
Liabilities				
Trade and other payables	–	–	1,521,903	1,521,903
Lease liabilities	–	4,614	–	4,614
Total financial liabilities	–	4,614	1,521,903	1,526,517

In line with IFRS 7 Loans to customers and Trade and other payables have been reclassified from Level 2 to Level 3. 2021 has also been reclassified so disclosure is on a consistent basis.

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.

2022	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	1,000	1,865,128	–	–	–	1,866,128
Lease liabilities	–	1,432	1,091	2,076	–	4,599
Total financial liabilities	1,000	1,866,560	1,091	2,076	–	1,870,727
Financial assets						
Loans to customers	–	1,877,907	6,026	–	–	1,883,933
Amounts due from Group undertakings	229,663	–	–	–	–	229,663
Cash and cash equivalents	45,273	–	–	–	–	45,273
Total financial assets	274,936	1,877,907	6,026	–	–	2,158,869
Maturity gap	273,936	11,347	4,935	(2,076)	–	288,142

Notes to the financial statements continued

28. FINANCIAL INSTRUMENTS continued

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	1,000	1,520,903	–	–	–	1,521,903
Lease liabilities	–	1,034	967	2,967	–	4,968
Total financial liabilities	1,000	1,521,937	967	2,967	–	1,526,871
Financial assets						
Loans to customers	–	1,524,818	3,638	–	–	1,528,456
Amounts due from Group undertakings	7,900	116,855	–	–	–	124,755
Cash and cash equivalents	108,889	–	–	–	–	108,889
Total financial assets	116,789	1,641,673	3,638	–	–	1,762,100
Maturity gap	115,789	119,736	2,671	(2,967)	–	235,229

In line with IFRS 7 elements of Trade and other payables and Amounts due from Group undertakings have been reclassified from <1 year to repayable on demand. Loans to customers has been restated to reflect the future interest earned.

29. 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.

	2022 £'000	2021 £'000
Profit for the financial year	**68,556**	51,075
Divided by:		
Opening equity	**293,714**	245,093
Closing equity	**364,538**	293,714
Average equity	**329,126**	269,404
Return on equity	**20.8%**	19.0%

Notes to the financial statements continued

29. CAPITAL RESOURCES continued

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 2022 and 31 December 2021 were as follows:

	Note	2022 £'000	2021 £'000
Debt			
Amounts owed to Company undertakings	21	**1,236,260**	1,039,694
Less: Cash	19	**(45,273)**	(108,889)
Net debt		**1,190,987**	930,805
Equity		**364,538**	293,714
Total net debt plus equity		**1,555,525**	1,224,519

30. 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 £nil (2021: £0.4 million) and at the end of the year nil (2021: £0.1 million) was unpaid.

During the year the Company had a loan to a Director for £40,000 (2021: £40,000), with interest payable at 2.5% (2021: 2.5%) per annum, for the purpose of acquiring shares in Pomegranate Topco Limited. The loan and interest accrued was repaid on 9 November 2022 and total accrued interest as at balance sheet date was £nil (2021: £2,005).

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

31. PENSION COMMITMENTS

Contributions to the defined contribution pension scheme during the year were £1.4 million (2021: £1.4 million). At year-end, there were no outstanding or prepaid contributions (2021: £nil).

32. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Vendcrown Limited.

The ultimate parent undertaking changed during 2022 and at 31 December 2022 is Platinum Credit TopCo Limited (2021: Pomegranate Topco Limited), a company incorporated in Jersey. The largest Group in which the Company is consolidated is Platinum Credit Holdco Limited; the consolidated financial statements are available from Aztec Financial Services (Jersey) Limited, 11-15 Seaton Place, St Helier, Jersey, JE4 0QH. Platinum Credit 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.

Other entities in the Platinum Credit Holdco Limited group referred to in this report (Mizzen Mezzco Limited, Pomegranate Acquisitions Limited, Pomegranate Topco Limited and Platinum Credit Bidco Limited) are all 100% owned subsidiaries of the ultimate parent undertaking.

The ultimate controlling party changed during the year and at 31 December 2022 is TowerBrook Capital Partners (U.K.) LLP, who act as sub-advisor to TowerBrook Investors V (Onshore), L.P., TowerBrook Investors V (892), L.P., TowerBrook Investors V (OS), L.P., TowerBrook Investors V (TE), L.P and TowerBrook Investors V Executive Fund, L.P. (2021: 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.

33. POST BALANCE SHEET EVENTS

There were no post balance sheet events.

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