

Mizzen Mezzco Limited

Annual Report and Financial Statements
for the year ended 31 December 2021

Registered Number: 08179245

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STRATEGIC REPORT

About

Mizzen Mezzco Limited ('the Company') and its subsidiaries (together 'the Group') is a financial services group. Premium Credit Limited ('PCL' or 'Premium Credit') is the Group's principal trading subsidiary.

2021 Highlights

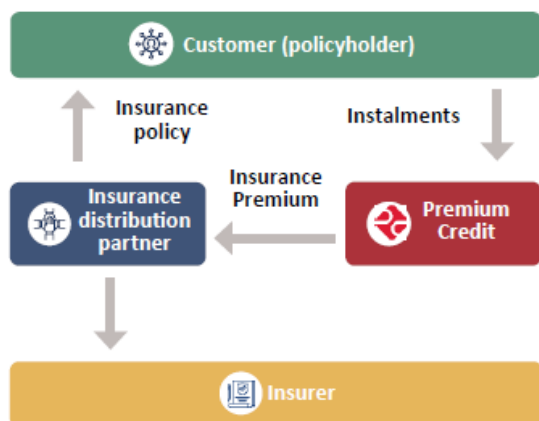
<p>£3.8 billion Amount of loans originated +6.6% (2020: £3.6 billion)</p>	<p>£113.8 million Total income +2.9% (2020: £110.6 million)</p>
<p>0.07% Loan loss ratio -0.11p.p. (2020: 0.18%)</p>	<p>£54.6 million Operating profit +11.7% (2020: £48.9 million)</p>
<p>£75.7 million Adjusted EBITDA +£10.6 million (2020: £65.1 million)</p>	<p>2.1 million Number of loans granted (2020: 2.1 million)</p>
<p>52.5% Expense to income ratio -2.2p.p. (2020: 54.7%) This ratio includes costs deemed non-recurring as well as amounts written off on loans to customers.</p>	<p>11.1% Total income margin 0.0p.p. (2020: 11.1%)</p>

Alternative performance measures ('APM'): In the highlights above, Total income, Operating profit and Expense to income ratio are IFRS measures. Management also use a number of APM to assess performance – in the highlights shown above, these are Loan loss ratio (representing Net credit losses for the year / Amount of loans originated over the year), Total income margin (representing Total income / Average funded receivables) and Adjusted EBITDA. Definitions and reconciliations to statutory financial information can be found on page 31.

Group overview

Premium Credit Limited, the Group's principal trading subsidiary, is an award-winning specialty finance provider operating in the UK and Ireland. Premium Credit provides instalment financing to corporates and individuals, supporting the purchase of insurance policies and other services. Every year, we use our leading, integrated technology to originate over two million loans, lending over £3.8 billion through a network 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 end-customers

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

Our intermediary partners

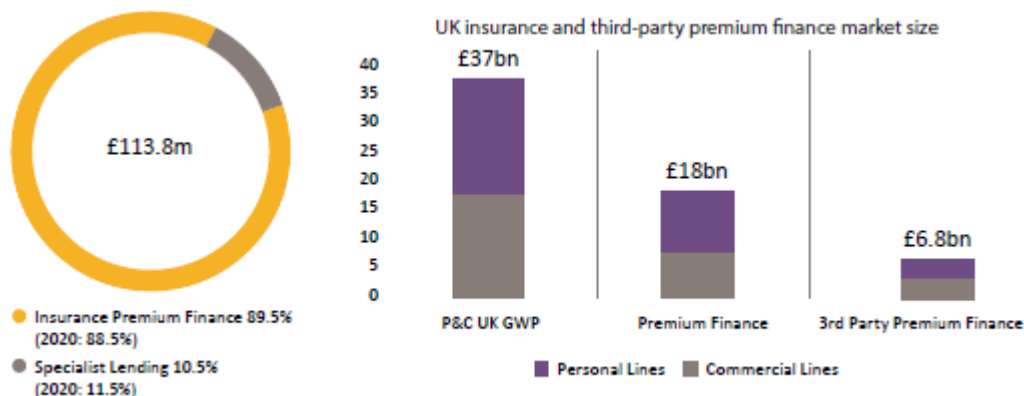
Our intermediary partners, including insurance brokers, insurance providers, membership organisations, schools and leisure facility providers, outsource the provision of instalment finance for their customers to Premium Credit. As a B2B2C provider, we have high brand awareness and strong, long-term partner relationships, which are multi-faceted across their sales, operations and IT functions. Partners choose to work with us because of our track record of reliable service, our innovative technology that delivers seamless journeys for them and their customers, and our strong focus on regulatory compliance.

Our markets and offering

Premium Credit Limited serves two key end markets:

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

Income Split



Insurance Premium Finance

We provide financing for non-life insurance premiums. The total broker market in the UK for property & casualty premiums, known as gross written premiums ('GWP'), is c. £37 billion. This grows broadly in line each year with GDP. Total funding through premium finance is estimated at c.£18.0 billion, of which c.£11.2 billion is funded directly by the insurer or partner, with the balance of £6.8 billion funded by third parties such as Premium Credit. Premium finance has historically grown at a faster rate than GWP, driven by increasing penetration of the product. Substitute forms of finance, such as credit cards and overdrafts, often attract higher interest rates than premium finance.

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

Specialist Lending

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

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

Chief Executive Officer's review

Supporting our community of customers and partners

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

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

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

Performance

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

As COVID-19 impacted some sectors more severely than others, we've seen the knock-on effect on certain parts of our business. In motoring for instance, people weren't driving, and insurers reflected that in their pricing, and in corporate tax, the government offered payment deferrals and financial support.

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

Strategic progress

Despite the pandemic, we were able to make great progress in growing our mature broker channel by rolling out our new Premium Programme to our top 12 partners. Partners in the programme have delivered 23% more growth than partners who are not, so we've made some really strong progress in driving their performance.

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

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

We also took the opportunity this year to undertake a significant validation review of the current strategy and to identify further growth opportunities for the future, and you can read more about that on page 13.

Purpose and ESG

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

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

Alongside delivering on our purpose and values, we committed to making improvements in our ESG performance and reporting this year. We dedicated time, energy and resource to identifying our impacts and establishing a framework of our key focus areas. Our ESG progress is owned by a newly established Sustainability Committee, which has representation from across the business and reports into the Executive Committee. Read more about our new approach and performance on page 16.

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

Outlook

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

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

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

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



Tara Waite
Chief Executive Officer

Embedding our Purpose and Values

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

Our purpose and values



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

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

How our values are being embedded

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

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

Living our values internally

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

In 2021, some of the winners' nominations included

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

Living our values externally

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

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

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

Sarah Evans, Head of HR

Purpose and Values in action - case study

Stand together

Proudly supporting our intermediary partners

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

Simply Business

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

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

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

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

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

Arch

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

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

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

The Post Office

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

Mark Fell, Senior Product Manager, The Post Office

Purpose and Values in action - case study

Stand Up

Proudly supporting our customers

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

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

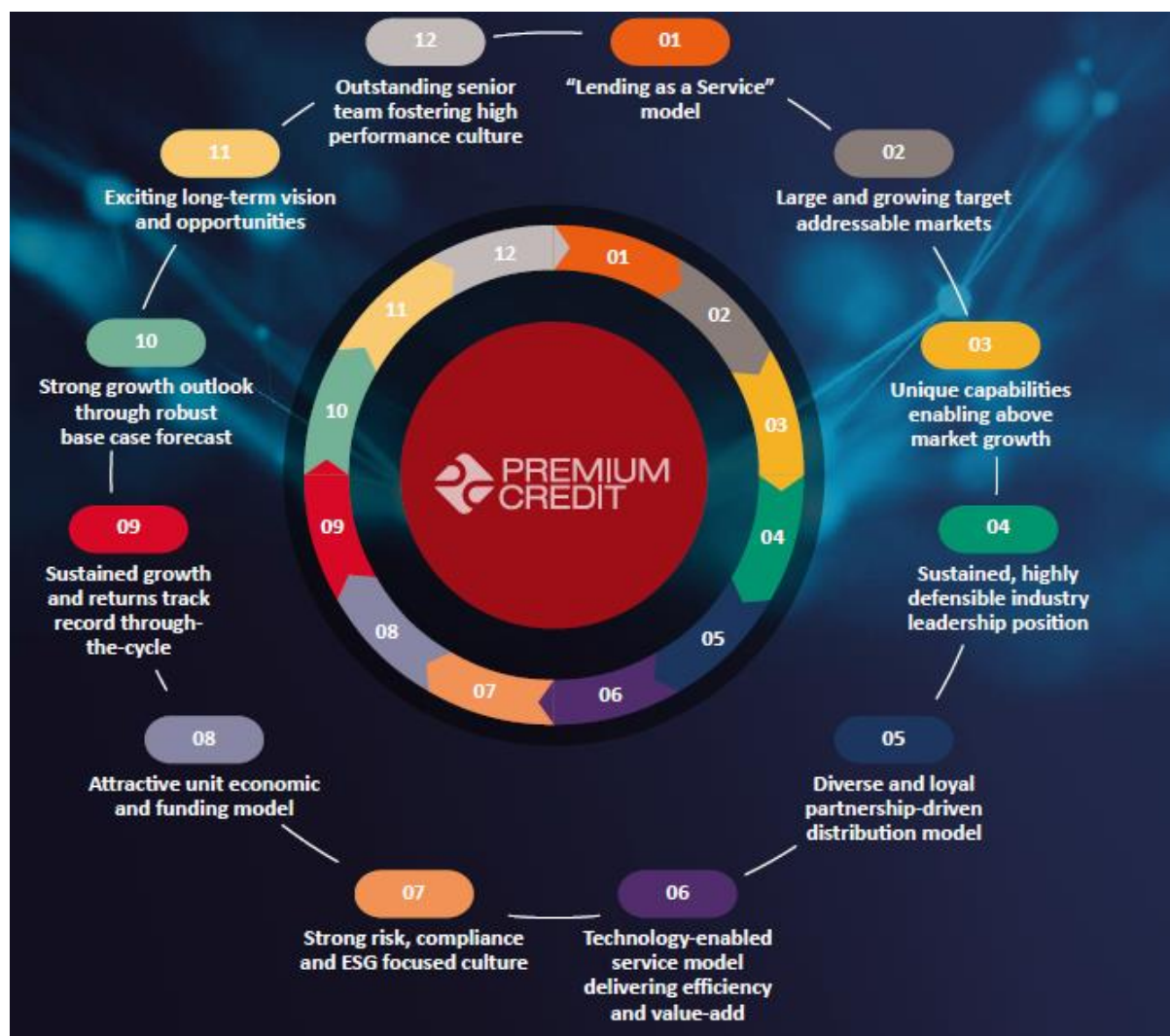
Here are some recent testimonials received from our customers:

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

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

88% Customer satisfaction score (Target: 80%)

Our business model



1. “Lending as Service” Model

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

2. Large and growing target addressable markets

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

3. Unique Capabilities enabling above market growth

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

4. Sustained, highly defensible industry leadership position

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

5. Diverse and loyal partnership-driven distribution model

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

We are the only insurance premium finance provider accredited by the British Insurance Broking Association and have held preferred supplier status with Broker Ireland for over five years. With over 2.1 million customers annually, from consumers to large corporate clients, our customer base is also large and extremely diversified. (Top 10: 37% (2020:36%))

6. Technology-enabled service model delivering efficiency and value-add

Our technology platforms enable point of sale financing with real-time decision making, either fully integrated within our partners' systems or seamlessly supported with customer and partner portals. For many partners, our platform becomes an integral part of their payments system. Last year, we carried out over 1.3 million affordability checks.

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

7. Strong risk, compliance and ESG focused culture

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

Our focus is on strong customer outcomes. We assess customer affordability on all loans and perform an enhanced assessment on larger loans and higher risk customers. We ensure fair treatment of customers, even when they are vulnerable,

through clear customer messaging, and though our focus is on digital, we can still serve customers through more traditional channels when required.

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

8. Attractive unit economic and funding model

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

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

9. Sustained growth and returns track record through-the-cycle

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

10. Strong outlook through robust base case forecast

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

11. Exciting long-term vision and opportunities

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

12. Outstanding senior team fostering high performance culture

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

Our strategy

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

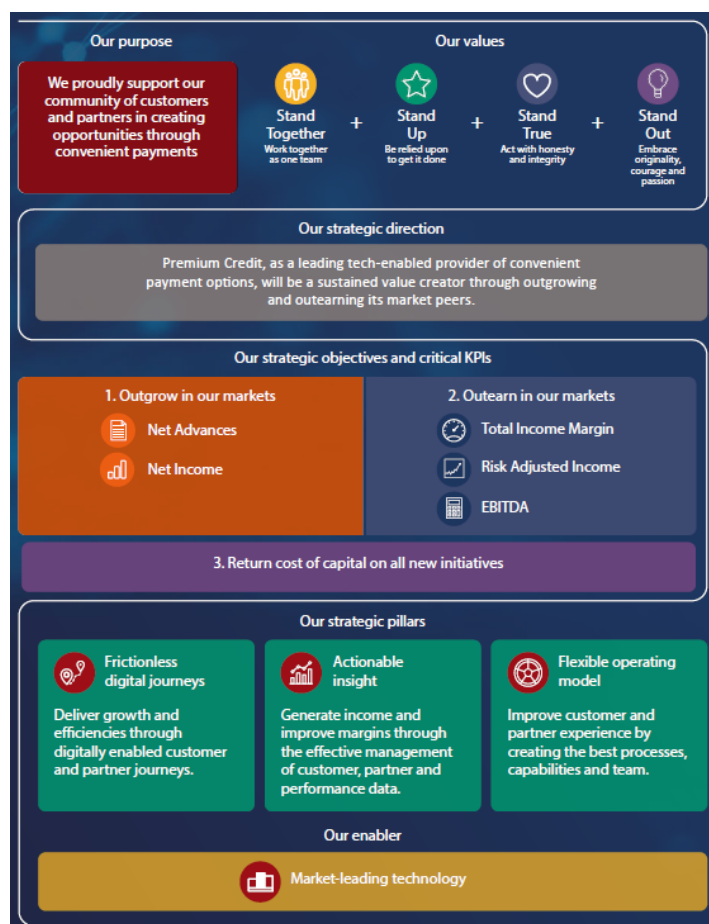
We will achieve this through superior service, technology and distribution relationships. In 2020 we introduced revised objectives, KPIs and pillars, as well as a new purpose and new values. This year we have made great progress against those strategic objectives.

2021 strategic review

In order to ensure our strategic planning and objectives remain fit for purpose, we constantly evaluate new developments in the market, gaining insight into trends, drivers and emerging markets. This year we used the services of a large external consulting firm to undertake a thorough review of our existing strategy. The objectives of this project were to:

- Review our current 2021-2023 strategy, highlighting gaps and potential opportunity areas and a route to establishing them over the next 6-12 months
- Identify the most promising 3- to 5-year growth opportunities
- Define a roadmap to deliver these 2025 growth opportunities

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



Progress against our strategic objectives in 2021

Out-grow in our markets

- We rolled out our 'Premium Programme' rolled out for top strategic partners. Partners in the programme are growing 23% faster than those not in the programme.
- We continued to enjoy 99% partner retention rate.
- New product offerings were developed in our premium finance personal lines business, enabling us to originate loans without recourse to the intermediary partners. The first partner for this product was won and onboarded in 2021.
- We won our largest ever Specialist Lending intermediary partner.
- Awarded 'Credit Provider of the Year (Commercial)' at the 2021 National Credit Awards for our delivery of innovative credit solutions for customers during the COVID-19 pandemic.
- We are converting over 100 school fee intermediary partners into appointed representatives to ensure best-in-class regulatory compliance.

Out-earn in our markets

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

Our strategic pillars

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

Frictionless digital journeys

Deliver growth and efficiencies through digitally enabled customer and partner journeys

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

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

Actionable Insight

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

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

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

Flexible operating model

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

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

Our focus on technology

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

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

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

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

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

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

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

ESG report

Premium Credit believes in a responsible approach to business.

Our evolving approach

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

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

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

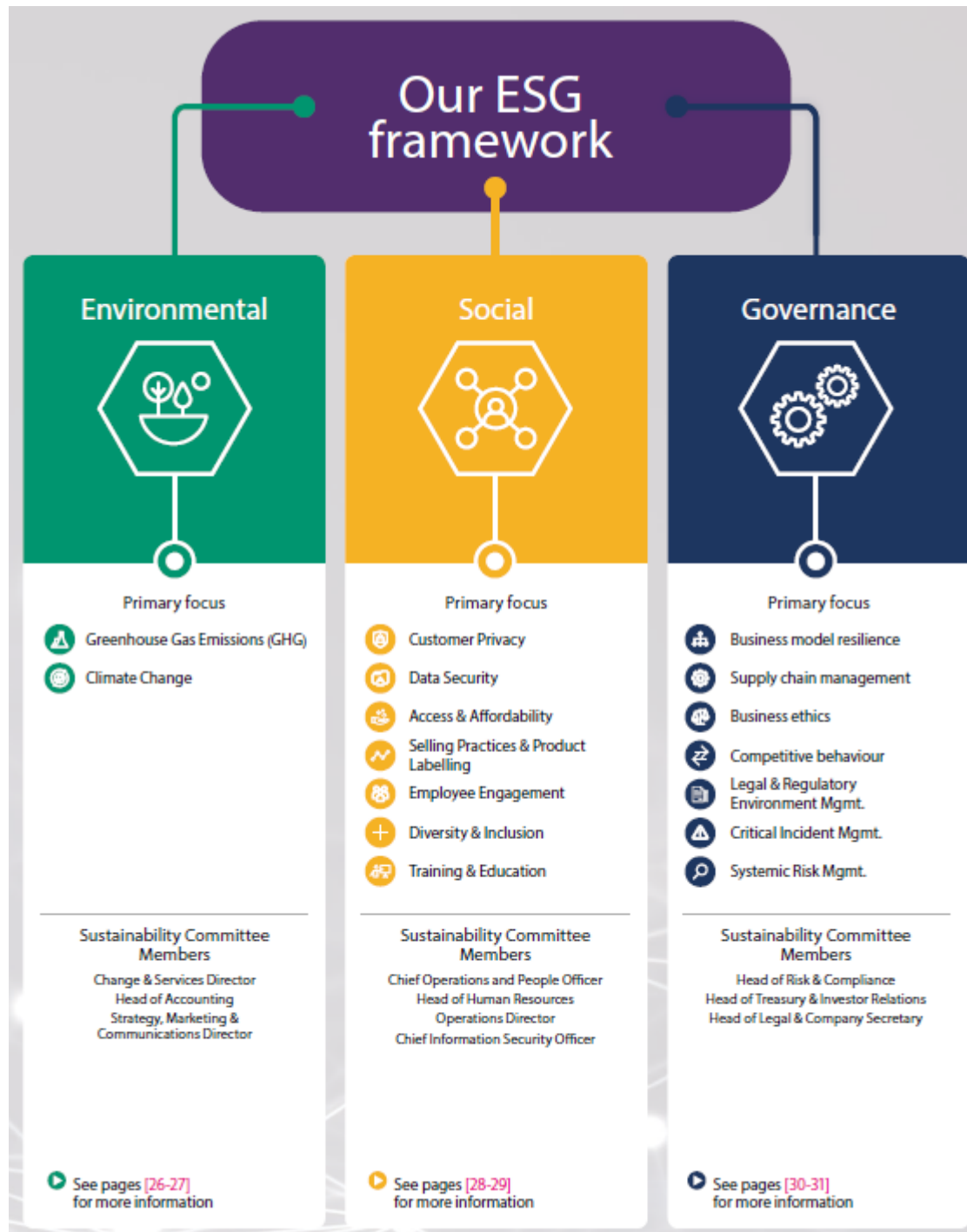
Having formalised our new ESG framework, our next steps are to identify further initiatives and KPIs for our focus areas, maintain our assurance through Ecovadis or an equivalent external assessment and adopt the TCFD and SASB standards framework in full.

ESG agenda management

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

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

Our ESG framework



Our journey

2015-19

CSR Committee focussed on raising money for elected good causes- focus on philanthropic approach

2019 – First Ecovadis assessment

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

2020 – Culture dashboard created

A cultural dashboard was developed to better monitor, measure and report on our collective efforts against the focus areas of our CSR strategy. Compiled and monitored at an executive level, it is also presented to the Board on a quarterly basis.

2020 – CSR Committee reformed

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

2020 – Alzheimer's Society partnership

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

2021 – Second Ecovadis assessment

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

2021 – Sustainability Committee formed

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

2021 – Sustainability framework created

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

2021 – Alignment to TCFD and SASB

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

2022 – ESG compliance target

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

Our 2021 performance

Ecovadis benchmarking survey

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

Ecovadis awarded us a 'Bronze' rating for 2019, and compiled a list of improvement areas that we have focused on over the last 12 months in the development of our approach to ESG matters.

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

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



Our cultural dashboard

Our cultural dashboard was established in 2020 to enable better understanding and measurement of our responsible business performance. It allows us to assess the actions of our leadership and colleagues, and how we are performing against our purpose, vision and values and the focus areas of our ESG strategy. Compiled and monitored at an executive level, it is also presented to the Board on a quarterly basis.

The dashboard is focused on four areas of performance:

Customer and partner sentiment	
What our customers and partners say and feel about Premium Credit and how we compare with our peer competitors.	
What we've done in 2021 <ul style="list-style-type: none"> Developed Service dashboard to help consolidate the various key metrics actively sought for our Customer & Partner Satisfaction NPS was introduced, measuring to the comparable NPS in the market, where the NPS annual was more qualitative feedback direct from our partner Introduced a Google scoring system Became members of the Institute of Customer Service 	Key metrics <ul style="list-style-type: none"> CSAT: 88% (target: 80%) Partner Satisfaction (PSAT): 91% (target 80%) Trustpilot score: 4.6 (target: 4.5) NPS Promoter Score: +71 (target: +60)

Colleague sentiment	
What our colleagues, both past and present, think about working for Premium Credit and the culture we espouse.	
What we've done in 2021 <ul style="list-style-type: none"> Completed annual engagement survey Conducted extra pulse surveys for measuring colleague wellbeing and working from home during COVID-19 A number of well-being initiatives were introduced to help with remote working – Zen Room, Coffee roulettes, Cooking competitions etc – all well received and contributed to the 'togetherness' of remote working 	Key metrics <ul style="list-style-type: none"> Annual engagement survey results <ul style="list-style-type: none"> Engagement score – 71% (2020: 78%) Glassdoor score: 4.2 (target: 4.0) Employee turnover – 19.1% (2020: 14.4%). Turnover has increased nationally following on from the pandemic, bringing both challenges in recruitment, but also opportunities to recruit from further afield through our hybrid working model Absence ratio: 1.6% (2020: 1.5%). Absenteeism continues on a downward trend and is below pre-lockdowns figures, which reflects in part the support provided by line managers, the HR team and our mental health first aiders

Societal sentiment

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

What we've done in 2021

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

Key metrics

- Annual Ecovadis benchmarking survey result 2021: Silver rating, score 63/100

Organisational temperature

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

What we've done in 2021

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

Key metrics

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

Environmental

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

Primary focus areas:

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

GHG

The table below shows our assessment of greenhouse gas emissions using the 'GHG Reporting Protocol – A Corporate Accounting and Reporting Standard' and in accordance with Defra's 'Environmental Reporting guidelines: including Streamlined Energy and Carbon Reporting requirements'. This covers Premium Credit's UK emissions.

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

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

Note that in the table below, emissions for 2020 have been restated against those reported last year as we have been able to obtain a richer level of data in respect of our gas energy usage. Prior to restatement, our 2020 gas energy figures were 502,548 kWh, equivalent to 92.4 tCO₂e.

	Mizzen Mezzco Limited Group			
	Energy (kWh)		Emissions (tCO ₂ e)	
	2021	2020 (restated)	2021	2020 (restated)
Electricity	618,055	656,669	131.2	153.1
Gas and generator fuel	147,000	502,458	27.1	92.4
Transport fuel – Business travel in company cars or employee-owned vehicles where company is responsible for purchasing the fuel	242,128	221,059	59.6	54.8
Total	1,007,183	1,380,186	217.9	300.3
Intensity ratio: kWh and tCO₂e / sq. ft. occupied floor area	23.93	32.79	0.00518	0.00714

Climate change

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

We are focused on the following areas in particular:

- Board oversight of climate-related risks and opportunities

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

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 areas:

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

Customer Privacy and Data Security

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

Access & Affordability and Selling Practices and Product Labelling

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

Employee Engagement

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

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

Diversity & Inclusion

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

Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled, the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

This year our Equality, Diversity and Inclusion Council has organised awareness training for senior staff and across the business, as well as a number of all Group sessions and presentations on a variety of different D&I topics. We've also enhanced our policies and processes to incorporate more gender neutral and family friendly practices.

We also joined an external committee with some of our partners dedicated to diversity and inclusion, and we've had guest speakers talk to our employees on these issues.

Training & Education

We approach training and education with the desire for people to understand their natural strengths and preferred ways of working and to have the tools to increase their personal awareness and improve team effectiveness. We want to build resilience throughout the Company, equipping people with the knowledge and skills to move forward during challenging times. At the heart of our training is our competency leadership model, which was launched this year. It is incorporated in our performance appraisals and bonus programmes.

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

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



Composition of the workforce

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

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

Gender pay gap

The Group has calculated its gender pay gap as at April 2021. The table below shows the overall mean and median gender pay gap based on hourly rates of pay at the snapshot date. It also captures the mean and median difference between bonuses paid to men and women in the year up to 5 April 2021.

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

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

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

Average tenure of employees

The average tenure of employees measures the average length of service across the workforce. We are pleased to report that the average tenure in 2021 was 7.2 years (2020: 7.0 years). There is a good mix of employees with long tenure, and therefore group experience, and newer colleagues who bring external skills to the Group.

Governance

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

Primary focus areas:

- **Business model resilience**
- **Supply chain management**
- **Business Ethics**
- **Competitive behaviour**
- **Legal & Regulatory Environment Mgmt.**
- **Critical Incident Mgmt.**
- **Systemic Risk Mgmt.**

Business model resilience

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

Supply chain management

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

Business Ethics

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

Competitive behaviour

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

Legal & Regulatory Environment management

We closely manage risks and opportunities surrounding our legal and regulatory environment, notably through our FCA regulatory requirements such as SMCR, SYSC, TCF and Conduct Risk. The same applies in our engagement with regulators to avoid cases where conflicting corporate and public interests may have the potential for long term direct and indirect environmental or social impacts. We monitor the evolution of our legal and regulatory framework and undertake regular scheduled training

Critical Incident management

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

Systemic Risk management

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

Key Performance Indicators

Key Performance Indicators

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

<p>Total income <u>Definition:</u> Net interest income (£97.5 million) plus fee income (£19.9 million) minus commission expense (£3.6 million). <u>Performance:</u> Our Total income grew by 2.9% year-on-year, driven by an increase in interest income following the growth in loan origination, as well as an increase in fee income.</p>	<table border="1"> <tbody> <tr> <td>'21</td> <td>£113.8</td> </tr> <tr> <td>'20</td> <td>£110.6</td> </tr> <tr> <td>'19</td> <td>£108.1</td> </tr> </tbody> </table>	'21	£113.8	'20	£110.6	'19	£108.1
'21	£113.8						
'20	£110.6						
'19	£108.1						
<p>Total income margin <u>Definition:</u> Total income (£113.8 million) / Average funded receivables (£1,026.0 million). <u>Performance:</u> Total income margin remained stable in 2021 with our Total income increasing in line with our Average funded receivables balance.</p>	<table border="1"> <tbody> <tr> <td>'21</td> <td>11.1%</td> </tr> <tr> <td>'20</td> <td>11.1%</td> </tr> <tr> <td>'19</td> <td>11.0%</td> </tr> </tbody> </table>	'21	11.1%	'20	11.1%	'19	11.0%
'21	11.1%						
'20	11.1%						
'19	11.0%						
<p>Risk-adjusted income <u>Definition:</u> Total income (£113.8 million) minus Net credit losses (£2.7 million). <u>Performance:</u> Our Risk-adjusted income continues to improve as the growth in Total income is complemented by an exceptional credit performance in 2021 as Net credit losses decreased by 58% year-on-year. This reflects our strong underwriting performance, and a benign credit environment supported by government assistance schemes for part of the year.</p>	<table border="1"> <tbody> <tr> <td>'21</td> <td>£111.1m</td> </tr> <tr> <td>'20</td> <td>£104.2m</td> </tr> <tr> <td>'19</td> <td>£102.2m</td> </tr> </tbody> </table>	'21	£111.1m	'20	£104.2m	'19	£102.2m
'21	£111.1m						
'20	£104.2m						
'19	£102.2m						
<p>Adjusted EBITDA <u>Definition:</u> Profit for the year before taxation, interest payable and similar charges (other than interest expense of our Securitisation Programme), depreciation and amortisation (aside from the amortisation of any fees of our Securitisation Programme), certain transaction costs, certain one-time investments in the business, and other non-operating costs including restructuring costs. See reconciliation table to our Operating profit on page 31. <u>Performance:</u> The increase in 2021 is primarily driven by an increase in fee income, reduced credit losses and provisions, and a reduction in administrative expenses reflecting our strong operating leverage.</p>	<table border="1"> <tbody> <tr> <td>'21</td> <td>£75.7m</td> </tr> <tr> <td>'20</td> <td>£65.1m</td> </tr> <tr> <td>'19</td> <td>£67.1m</td> </tr> </tbody> </table>	'21	£75.7m	'20	£65.1m	'19	£67.1m
'21	£75.7m						
'20	£65.1m						
'19	£67.1m						
<p>Loan loss ratio <u>Definition:</u> Net credit losses for the year (£2.7 million) / Amount of loans originated over the year (£3.8 billion). <u>Performance:</u> The credit quality of the loan book remains strong, driven by the several layers of credit protection embedded in the majority of our products, and the short duration of our loan book. Since the onset of the COVID-19 pandemic, each loan in our book has been renewed, allowing for updated underwriting criteria to be applied.</p>	<table border="1"> <tbody> <tr> <td>'21</td> <td>0.07%</td> </tr> <tr> <td>'20</td> <td>0.18%</td> </tr> <tr> <td>'19</td> <td>0.17%</td> </tr> </tbody> </table>	'21	0.07%	'20	0.18%	'19	0.17%
'21	0.07%						
'20	0.18%						
'19	0.17%						
<p>Amount of loans originated <u>Definition:</u> Total value of loans granted over the year, net of cancellations and mid-term adjustments. <u>Performance:</u> Our origination grew by 6.6% despite certain sectors continuing to be impacted by COVID-19 restrictions and the impact of government support measures, driven by the mandatory nature of insurance and increasing penetration of our products with our intermediary partners, notably through the Premium Programme.</p>	<table border="1"> <tbody> <tr> <td>'21</td> <td>£3,822m</td> </tr> <tr> <td>'20</td> <td>£3,587m</td> </tr> <tr> <td>'19</td> <td>£3,520m</td> </tr> </tbody> </table>	'21	£3,822m	'20	£3,587m	'19	£3,520m
'21	£3,822m						
'20	£3,587m						
'19	£3,520m						

<p>Average funded receivables</p> <p><u>Definition:</u> The average principal balance of loans that had been originated and disbursed to our partners (the 'outstanding funded principal balance') over the year.</p> <p><u>Performance:</u> The average funded receivables balance increased by 2.9% in 2021, reflecting both the growth in the amount of loans originated (6.6%) and the timing of that growth, which was more pronounced in the second half of the year, post lockdowns.</p>	<table border="1"> <tr> <td>'21</td> <td>£1,026m</td> </tr> <tr> <td>'20</td> <td>£997m</td> </tr> <tr> <td>'19</td> <td>£986m</td> </tr> </table>	'21	£1,026m	'20	£997m	'19	£986m						
'21	£1,026m												
'20	£997m												
'19	£986m												
<p>Securitisation Programme size and utilisation</p> <p><u>Definition:</u> The total amount of funding available at year-end through our Securitisation Programme, and amount utilised at that date.</p> <p><u>Performance:</u> Having refinanced a maturing Public ABS instrument in Q2 2021, for which additional funding capacity had been held in 2020, we reduced the size of our Securitisation Programme to a level commensurate with the expected growth of the loan book in the near future. In 2021, we also accessed the Private ABS market, renewing and extending our variable funding facility, while reducing its margin.</p>	<table border="1"> <tr> <td>'21 (84% drawn)</td> <td>£1,292m</td> </tr> <tr> <td>'20 (66% drawn)</td> <td>£1,448m</td> </tr> <tr> <td>'19 (71% drawn)</td> <td>£1,392m</td> </tr> </table>	'21 (84% drawn)	£1,292m	'20 (66% drawn)	£1,448m	'19 (71% drawn)	£1,392m						
'21 (84% drawn)	£1,292m												
'20 (66% drawn)	£1,448m												
'19 (71% drawn)	£1,392m												
<p>Employee engagement</p> <p><u>Definition:</u> Results of our engagement surveys.</p> <p><u>Performance:</u> Our 2021 score remains very favourable, although it is down 7 points year-on-year. Our employees continue to appreciate the support from their line managers and the interactions with their colleagues. They acknowledge that Premium Credit continues to live by its purpose and values, and the work that has been done on diversity and inclusion. We see the decline year-on-year as a reflection of the timing of the survey, which was issued during a period of structural and people changes.</p>	<table border="1"> <tr> <td>'21</td> <td>71</td> </tr> <tr> <td>'20</td> <td>78</td> </tr> <tr> <td>'19</td> <td>55</td> </tr> </table>	'21	71	'20	78	'19	55						
'21	71												
'20	78												
'19	55												
<p>Customer complaints</p> <p><u>Definition:</u> Reportable customer complaints per 100,000 loans written. This is supplemented by the total number of reportable complaints made to the Financial Ombudsman (FOS).</p> <p><u>Performance:</u> Regular interactions with FOS to understand their approach has resulted in a reduction of both the numbers of complaints referred to FOS and of those upheld by FOS in favour of customers (two upheld each year in 2020 and 2021, four in 2019).</p>	<table border="1"> <thead> <tr> <th></th> <th>21</th> <th>20</th> <th>19</th> </tr> </thead> <tbody> <tr> <td>Customer complaints</td> <td>331</td> <td>336</td> <td>342</td> </tr> <tr> <td>FOS</td> <td>22</td> <td>33</td> <td>46</td> </tr> </tbody> </table>		21	20	19	Customer complaints	331	336	342	FOS	22	33	46
	21	20	19										
Customer complaints	331	336	342										
FOS	22	33	46										
<p>Trustpilot score</p> <p><u>Definition:</u> An overall measurement of customer satisfaction based on reviews received on Trustpilot.com, based on time span, frequency and Bayesian average of the reviews.</p> <p><u>Performance:</u> Our customer satisfaction level reflects the critical nature of our products for our customers, the efficient customer onboarding journey, and our strong compliance culture.</p>	<p>Reviews 31,619 • Excellent</p> <p>2020: 4.6</p>												

Financial review

The Group's controlling party, Cinven Partners ('Cinven'), is a UK private equity fund. Accordingly, the Annual Report and Financial Statements for 2021 have been prepared in accordance with the Walker Guidelines for UK companies in private equity ownership. The consolidated financial statements have been prepared in accordance with international accounting standards and the Company financial statements under UK GAAP (FRS 101), both in accordance with the UK Companies Act 2006.

2021 was another strong year for the business. Despite the continued challenging economic environment, we increased the amount of loans originated by 7%, our operating profit 12% and our Adjusted EBITDA 16%.

Our Net interest income remained broadly stable year-on-year at £97.5 million as interest income and interest expense increased by the same quantum.

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

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

These factors led to an operating profit of £54.6 million for 2021 (2020: £48.9 million), a profit before tax of £41.0 million (2020: £29.0 million) and an Adjusted EBITDA of £75.7 million (2020: £65.1 million).

	2021 £m	2020 £m	Change £m	Change
Amount of loans originated	3,822	3,587	235	6.6%
Net interest income	97.5	97.7	(0.2)	(0.2%)
Fee income	19.9	16.9	3.0	17.8%
Total income	113.8	110.6	3.2	2.9%
Administrative expenses	59.7	60.5	(0.8)	(1.3%)
Amounts written off on loans to customers	2.7	6.4	(3.7)	(57.8%)
(Decrease)/Increase of impairment provisions on loans to customers	(0.5)	1.2	(1.7)	n/a
Operating profit	54.6	48.9	5.7	11.7%
Adjusted EBITDA ¹	75.7	65.1	10.6	16.3%

¹ Adjusted EBITDA is a profit measurement which is not specifically defined under or presented in accordance with IFRS, or any other generally accepted accounting principles and that excludes certain non-cash items, non-recurring costs, foreign exchange gains/losses, tax and interest, other than the interest costs incurred as part of our Securitisation Programme. See Adjusted EBITDA reconciliation table to our Operating profit on page 31.

Loans originated

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

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

Insurance premium finance for consumers continued to be impacted in the first half of the year by the reduction

in economic activity in certain sectors such as motor or travel insurance. As a result, advances declined by 1.2% year-on-year.

Loan origination in our specialist lending products area increased by 23.3% year-on-year to £0.4bn (2020: £0.3bn) as activity in education and leisure sectors rebounded given fewer lockdowns in 2021. Similarly, the demand for tax products increased as governmental support packages and deferrals gradually tapered off during the year.

Net interest income

Net interest income comprises interest earned on our loans to customers less interest payable on our funding. Net interest income remained broadly stable year-on-year at £97.5 million (2020: £97.7 million).

Interest income increased by £0.4 million year-on-year to £113.5 million (2020: £113.1 million), driven by higher origination amounts, but offset by a COVID-19 related change in product mix towards lower yielding products. Interest expense increased by £0.6 million to £16.0 million (2020: £15.4 million), caused by the full phasing-in of slightly increased costs of securitised funding raised in 2020, as well as the increase in Bank of England's base rate in December 2021, which has not yet been passed on to our customers.

Fee income

Fee income includes upfront facility fees, missed payment fees and chaser fees for unsigned contracts, which are categorised as 'cost recovery'. Our fee income was up £3 million (17.8%) year-on-year.

Most of the increase in fee income was generated through a facility fee charged at inception of the loan, and designed to compensate for the increased regulatory cost of onboarding and monitoring our customers. The rollout of that facility fee commenced in 2019 and was concluded in the main in Q3 2021. The 2021 fee income as a result does not yet comprise the full phasing-in of that fee.

Missed payment fees remained flat at £8.6 million (2020: £8.0 million), reflecting the ongoing strong credit performance of our loan portfolio, as well as a proactive approach in waiving missed payment fees for customers subject to temporary financial difficulties, particularly during parts of the year affected by lockdowns.

Administrative expenses

Administration expenses have decreased by £0.8 million or 1.3% year-on-year. Excluding foreign currency movements, depreciation and amortisation, and write-offs, expenses decreased mainly as a result of the non-recurrence of Covid-related expenditure seen in 2020 (£2.6 million), reduced office costs as working from home continued, reduced consultancy and restructuring costs (£1.8 million), partially offset by one-off strategy review costs carried out in 2021 (£1.6 million). Staff costs increased slightly (by £0.4 million) mostly through CPI-related wage inflation. IT-related expenditure increased by £0.3 million year-on-year to £4.0 million, but have stabilised at a lower level than previous years, reflecting improvements in our delivery model and an increased ability for front office departments to self-serve data.

Credit losses and provisions

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

Our IFRS9 expected credit loss provision decreased by £0.5 million to £6.0 million in 2021, while in 2020 the Group had increased its provisions by £1.2 million.

Adjusted EBITDA

The table below reconciles our IFRS Operating profit to our Adjusted EBITDA.

£m	2021	2020
Profit for the year before taxation	41.0	29.0
Finance expense	13.6	19.9
Depreciation and amortisation	6.1	7.0
Investment in new information technology	5.2	5.8
Write-off of securitisation programme setup fees	3.7	2.6
Restructuring costs	1.2	1.6
Foreign currency loss/(gain)	2.1	(1.5)
One time expenditure ¹	-	2.6
Sponsor Fees	0.4	0.4
External strategy review – professional fees	1.6	-
Other ²	0.8	(2.3)
Adjusted EBITDA³	75.7	65.1

¹ For 2020, costs include the performance triggers amendments in our Securitisation Programme (£1.8 million), and additional staff costs in relation to increased forbearance (£0.8 million).

² For 2021, this represents mainly interest expense on facilities not required in the ordinary course of business (£0.8 million) and reductions in provisions for historical periods. For 2020, this represents mainly a release of a provision in respect of legal and professional fees for the refinancing of the Senior notes at the start of 2020, which in the opinion of the Directors, is no longer required (£2.0 million), a release of accruals made in respect of prior years' staff incentive schemes (£1.1 million) and offset from losses on retirement of fixed assets (£0.5 million).

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

Cash

At 31 December 2021, the Group had a cash balance of £151.6 million, an increase of 22.0% from 2020 (£124.3 million). The large cash balance held follows our decision to retain cash in the business to maximise its liquidity position given the challenging economic environment. As a result the Company made £nil dividend payment in 2021 (2020: £nil).

Loans to customers

Loans to customers increased by £133.0 million to £1,565.3 million at 31 December 2021 (2020: £1,432.3 million). Those loans which had already been disbursed to our partners (the 'outstanding funded principal balance') as at 31 December 2021 amounted to £1,136.6 million (2020: £1,030.1 million), with the difference between the loans to customers and the outstanding funded principal balance representing payables due to our partners.

Funding

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

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

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

The programme also comprises a £630 million variable funding notes facility (the 'VFN') with a reinvestment period end-date of July 2024. The VFN was established in 2012 and has benefited from regular extensions or amendments; it is provided by a syndicate of banks and was last amended in July 2021 for a 3-year reinvestment period, at reduced interest margins.

Finally, the programme also comprises a £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 3 years. It was undrawn as at 31 December 2021 (2020: £nil).

In June 2020, certain performance triggers were amended both on the VFN and the then-outstanding asset-backed issues, with the consent of the VFN funders and the rating agencies. The amendments were intended to grant structural flexibility in the context of COVID-19, in order to accommodate potential fluctuations in performance. These amendments were further refined and extended in 2021 for another 12 months.

The Securitisation Programme has a total size, excluding the ITN facility, of £1,291.5 million (2020: £1,487.5 million). As at 31 December 2021, £1,084.0 million was drawn down (2020: £980.2 million). The undrawn portion of the Securitisation Programme of £207 million is available to fund growth in the business.

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

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

Risk Management

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

Risk appetite

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

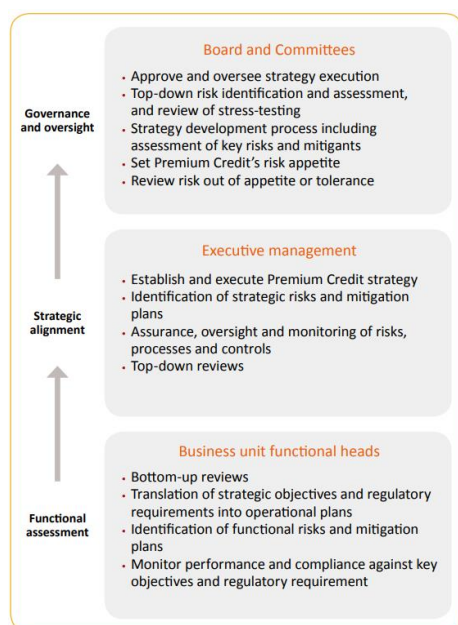
Moderate risk positions may be accepted in some areas for a defined period in pursuit of attractive commercial opportunities, however, the Group has no appetite for higher risk positions, and should they arise due to other circumstances, they must be managed back to within accepted limits in tightly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

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

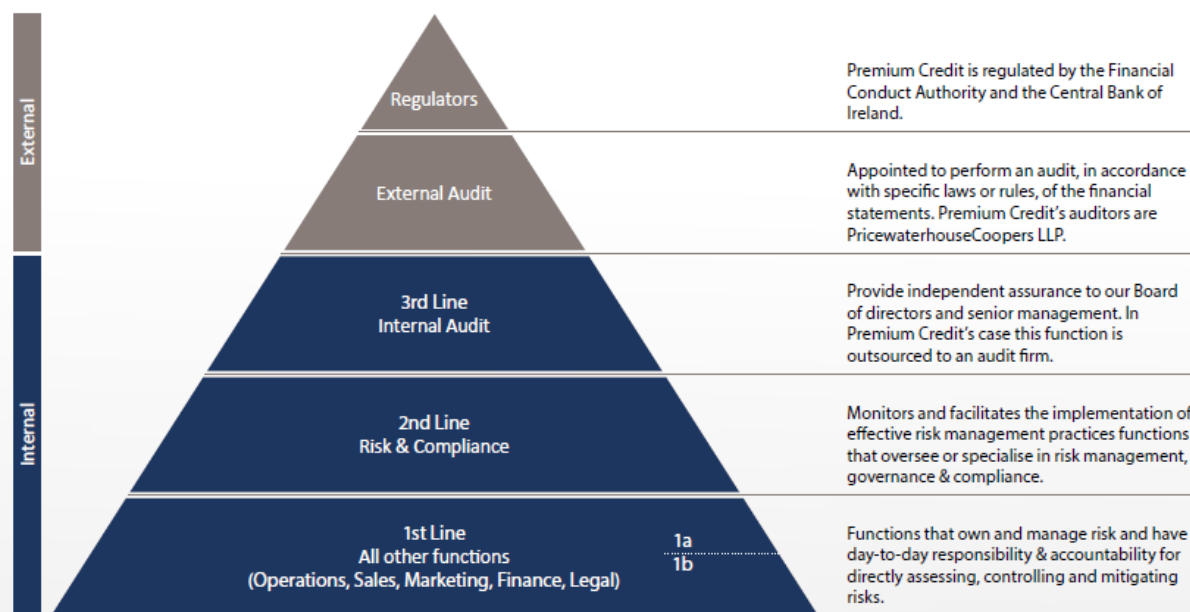
- establish clear roles, responsibilities, and reporting lines;
- encourage a risk aware culture;
- incorporate risk management into strategic planning, projects, and operations;
- define the framework for identifying, measuring, monitoring, and reporting significant risks across Premium Credit;
- monitor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

Risk management framework

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



Our three lines model



Underwriting

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

Emerging risk

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

COVID-19

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

UK exit from the European Union

We continue to monitor the potential impacts on our business and our key stakeholders, of which there has been minimal impact. However, we are confident in our approach to analysing and reacting to regulatory change in general.

Climate change

Climate change and the risks this will create for the financial services sector is on our radar. A Sustainability Committee has been established this year to embed our approach to managing such climate-related financial risks. Please see page 20 for further information.

Long-term viability

Though the COVID-19 pandemic continues to have an impact on customers and colleagues alike, the business continues to show great control and resilience to unprecedented circumstances. Our seamless transition to an entirely new way of working, our robust performance and our close stakeholder relationships all demonstrate the strength and flexibility of the business and its people.


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


Principal risks and mitigation

The Group is exposed to a variety of risks through its day-to-day operations. A summary of the risks and uncertainties which could prevent the achievement of our strategic objectives, of how we seek to mitigate those risks and the change in the perceived level of each risk in the last financial year, is described below.


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


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


Strategic Risk 	
Description	Mitigants
Those risks which the Group'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.	<ul style="list-style-type: none"> • We have a strong record of operating successfully in our chosen markets throughout our 33-year history, which we have achieved by continually improving our service proposition. • During COVID-19 we have been able to maintain business volumes and/or margins in line with planned volumes. • Our business model creates natural barriers to entry through scale, diversified distribution with term contracts, embedded technology solutions, our position at the forefront of the regulatory agenda, strong risk management and efficient funding. • We are active in industry-wide groups that enable market trends to be identified and addressed. • We monitor competitors' products, pricing and positions to enable us to keep our own proposition under review. • 2021 has seen an increase in M&A activity in our partner markets. Premium Credit has been well placed to benefit from the consolidation of key strategic partners.


Financial and Market Risk 	
Description	Mitigants
The risk that the Group has insufficient capital to support stressed conditions, normal operations or growth plans. In particular, interest rate risk is currently heightened.	<ul style="list-style-type: none"> • The business has a treasury function responsible for the day-to-day management of its liquidity and funding. • We produce and monitor a forecast of our short-term cash balances on a daily basis. • We maintain sufficient cash balances to cover operational needs, as well as cover for unexpected liquidity challenges stemming from the challenging economic environment. • We ensure sufficient headroom in our funding facilities and manage their maturities conservatively. Most of the funding is provided by a Master Trust Securitisation Programme that provides access to public markets funding alongside a syndicate of bank funders. • In 2021, we amended our main funding facilities (through PCL Asset Trustee Limited), with the consent of our funding banks and the rating agencies, in order to retain structural flexibility in the changing context of the COVID-19 pandemic. • The business has the ability through contractual rate ratchets to reprice future lending in the event of interest rates increases above a contractual minimum. • Our loans have short maturities that makes our results less sensitive to changes in interest rates.


Governance and Organisational Risk 	
Description	Mitigants
Risk that the Group's governance, processes and organisational design does not support the overall corporate objectives or deliver good outcomes to stakeholders.	<ul style="list-style-type: none"> • 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.


Credit and Counterparty risk 	
Description	Mitigants
Risk that the Group makes inappropriate loans to customers or producers or sets inappropriate exposure levels with individual producers or insurers.	<ul style="list-style-type: none"> • We have a robust Credit Policy, and onboarding procedures that are subject to governance and oversight. • We have strong affordability risk assessment and underwriting policies in place setting out detailed criteria for lending. In addition, we have rigorous and robust collections and recovery processes in place to manage arrears. • Faced with the various stages of the COVID-19 pandemic (lockdown, closures, and openings, start and end of state support) or the UK's exit of the European Union, we have continuously and proactively updated our underwriting criteria. • Our loans have short maturities, which ensures any changes in underwriting criteria result in rapid impact on our loan book's performance. Since the onset of the COVID-19 pandemic, our book has been completely re-underwritten almost twice. • Throughout 2021 the level of bad debt has been below forecasted levels.

Regulatory and Legal Risk 	
Description	Mitigants
The risk that: (1) a change in laws and regulations will materially affect the Group's business or markets; or (2) The Group is exposed to fines, censure, legal or enforcement action due to failing to comply with applicable laws, regulations, codes of conduct or legal obligations.	<ul style="list-style-type: none"> • 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.

Financial Crime Risk 	
Description	Mitigants
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.	<ul style="list-style-type: none"> We have adopted a holistic approach to financial crime that sets the minimum control requirements in key risk areas, such as: anti-bribery and corruption ('ABC'); anti-money laundering and counter-terrorist financing ('AML'); anti-tax evasion facilitation ('ATEF') and sanctions. This combined approach allows us to identify and manage relevant synergies and connections between the key risk areas. We ensure standardised due diligence checks as per Policy are carried out for all partners and customers being onboarded and on an ongoing basis which includes ID&V checks, adverse media searches, sanction checks etc. in line with regulatory requirements.

Outsourcing risk 	
Description	Mitigants
Risk of inappropriate outcomes to the Group, our producers, customers and other stakeholders from outsourcing and the use of external suppliers.	<ul style="list-style-type: none"> We ensure that all material outsourcing is supported by appropriate documentation, subject to Service Level Agreements ('SLA') and is controlled through monitoring and reporting under its Risk Appetite metrics. We maintain strong relationships with our partners, customers and software house integrators. Premium Credit maintains a strong, long-term relationship with Tech Mahindra, who provide development, support and cyber services both onshore and off-shore. Perform periodic on-site visits, including compliance as appropriate.

Technology and Cyber Risk 	
Description	Mitigants
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.	<ul style="list-style-type: none"> 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	Mitigants
<p>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.</p>	<ul style="list-style-type: none"> • Our risk management, strategy and governance are aligned; the business operates within a clearly defined and understood risk appetite and capacity. • Our operational risk framework is appropriately designed, embedded within key roles and responsibilities across the Board, the executive, the business (1st line), the risk function (2nd line) and the audit/assurance function (3rd line). • We have proactive Board and senior management oversight and consideration of all key risks - including operational risks and not limited to (reactive) issue management. • We can demonstrate culture and tone from the top that embeds effective risk management challenge in all key decision-making processes, and supports the timely identification, escalation, and management of material risks.

Operating for the benefit of all our stakeholders

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

By seeking to understand the differing stakeholder interests and impacts through a proactive programme of engagement, the Directors ensure its decision-making is informed and that the development and delivery of our strategy leads to long-term sustainable success for Premium Credit.

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

- A. the likely consequences of any decisions in the long-term;
- B. the interests of the Group's employees;
- C. the need to foster the Group's business relationships with partners, customers, suppliers and others;
- D. the impact of the Group's operations on the community and environment;
- E. the Group's reputation for high standards of business conduct; and
- F. the need to act fairly as between members of the Group.

Stakeholders	How we engage	Their material issues
<p>Colleagues We are committed to creating a high-performance culture in which colleagues are accountable for their work whilst feeling engaged and empowered to deliver on their objectives.</p>	<ul style="list-style-type: none"> • Wellbeing and Working from Home survey • Regular team meetings, including CEO and Executive Committee Q&A sessions • Internal mental health first aiders • Annual engagement survey • Performance evaluations 	<ul style="list-style-type: none"> • Health in an uncertain world, wellbeing incl. mental health issues of working from a home environment • Training and development opportunities • Career progression and recognition • Compensation and incentives • Living by our purpose and values
<p>Customers We serve over two million retail, SME and corporate clients. Our ability to assist them in spreading the cost of essential products such as insurance over instalment is vital, and we want to do so in a responsible and compliant way.</p>	<ul style="list-style-type: none"> • Customer feedback mechanisms (Trustpilot, satisfaction surveys) • Dedicated complaints team within our contact centre • Mechanics to support customers with financial difficulties 	<ul style="list-style-type: none"> • Seamless and easy products and solutions • Suitable products with clear information • Additional help and support where necessary • Customer service
<p>Partners We have a diversified network of over 3,000 partners. These relationships are crucial because they provide access to our end-customers.</p>	<ul style="list-style-type: none"> • Regular performance meetings • Provision of insights and analytics • Developing sales and marketing strategies together • Internal training 	<ul style="list-style-type: none"> • Seamless and easy products and solutions for their customers • Building long-term partnerships

<p>Shareholders Effective communication with shareholders as crucial to understanding and meeting their needs and expectations.</p>	<ul style="list-style-type: none"> • Attendance at Board meetings • One-to-one meetings • Monthly performance reporting – both financial and non-financial 	<ul style="list-style-type: none"> • Financial and operational performance • Long-term growth • Business model and strategy • Capital allocation • Dividends • Living by our purpose and values
<p>Investors We regularly issue asset-backed securities, our investors expect an appropriate return on investment.</p>	<ul style="list-style-type: none"> • Monthly securitisation investor reporting • Deal and non-deal roadshows 	<ul style="list-style-type: none"> • Return on investment • Timely reporting • Regular issuance • ESG
<p>Regulators The Group works actively with our regulators as well as industry bodies and other relevant stakeholders to ensure our services remain at the forefront of compliance.</p>	<ul style="list-style-type: none"> • Regular, open and transparent reporting • Proactive engagement • Membership of industry bodies to ensure participation in industry-wide discussions 	<ul style="list-style-type: none"> • Compliance • Financial security • IT and operational resilience
<p>Community We recognise that our actions have an impact beyond our immediate stakeholders and understand our responsibilities to society and our local communities.</p>	<ul style="list-style-type: none"> • Partnership with Insurance United Against Dementia • Reduce the amount of material that is printed • Internal ‘Team Premium’ acting as ambassadors for our values and our community 	<ul style="list-style-type: none"> • Charitable and community support • Environmental impact

Approval of Strategic Report

This section of the Annual Report comprises a Strategic Report for the Group, 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 28 February 2022 and signed on its behalf:



Tara Waite
Chief Executive Officer

GOVERNANCE

Board of Directors

Tara Waite – Chief Executive Officer

Mizzen Mezzco Limited, Premium Credit Limited

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

Andrew Chapman – Chief Financial Officer

Mizzen Mezzco Limited, Premium Credit Limited

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

Maxim Crewe – Investor Director – Chair of the Remuneration committee

Pomegranate Topco, Premium Credit Limited

Maxim Crewe joined Cinven in 2006 and is a partner leading the Consumer sector team. He is also a member of the UK and Ireland regional team. He has been involved in a number of transactions, including Allegro, Kurt Geiger, NewDay, Partner in Pet Food and Planasa. Previously he worked at Citigroup, where he was involved in corporate finance within the European Retail and Consumer Group. Maxim has an MA in Politics, Philosophy and Economics from Oxford University.

Rebecca Abrey – Investor Director

Mizzen Mezzco Limited, Premium Credit Limited

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

Colin Keogh – Non-executive Chairman

Premium Credit Limited

Colin Keogh joined the Board as Chair in 2015. He brings a wealth of experience to the role having spent his career in financial services, principally at Close Brothers where he worked for 24 years. During that time, he held a number of senior management and Board positions and was Chief Executive Officer from 2002 until 2009. Since leaving Close Brothers, he has held a number of non-executive directorships in a wide range of sectors, including the London listed retail bank Virgin Money. Colin is currently on the Boards of the specialist insurer Hiscox Limited and investment management company Ninety One Plc. Colin holds an MA in Law from the University of Oxford and an MBA from INSEAD.

***David Young – Non-Executive Director – Chair of the Audit, Risk and Compliance committee
Premium Credit Limited***

David Young joined Premium Credit as a Non-Executive Director in January 2016. Following an early career in investment banking, he became Finance Director, Chief Operating Officer and latterly Chief Executive of a quoted insurance broking group. Since 1999, he has specialised in being a Non-Executive Director of businesses in the insurance, consumer finance and investment sectors, particularly regulated businesses and those owned by private equity. He is also a Non-Executive Director and Audit Committee chair of Watchstone Group Plc, Key Group, 7im and other private companies. David is both a Chartered Accountant and a Chartered Tax Adviser.

***Simon Moran – Non-Executive Director
Premium Credit Limited***

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

***Peter Catterall – Investor Director
Premium Credit Limited***

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

Executive Committee

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

The particular areas of expertise of each executive are highlighted with the following icons

C: Consumer finance

I: Insurance

T: Technology

R: Regulation

F: Funding

D: Data

Tara Waite – Chief Executive Officer

C I R D

See the Board of Directors on page 42 for Tara's biography.

Andrew Chapman – Chief Financial Officer

C R F D

See the Board of Directors on page 42 for Andrew's biography.

Josie Pileio – Chief Operations and People Officer

R T D

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

Owen Thomas – Chief Sales & Marketing Officer

I

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

His previous role was at RSA, where he led the strategy and engagement for global broker relationships worldwide, marketing and strategic account management across UK commercial lines and sales and distribution for the Global Risk Solutions P&L. Owen also co-founded the Global Corporate & Speciality division in his time at Aviva.

Jon Howells – Chief Commercial Officer IPF

C I

Jon Howells joined Premium Credit Limited in September 2019 as Chief Commercial Officer. His previous role was at Close Brothers Premium Finance, where he was responsible for growth and strategy as the Commercial Director.

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

Roger Brown – Chief Commercial Officer SL

C

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

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

Duncan Gray – Chief Information Officer

CTD

Duncan Gray joined Premium Credit Limited 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.

Chairman's introduction to our Governance principles and framework

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

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

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

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

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

Our focus in 2021

This year has been about getting back to business as usual for the Board, as the all-encompassing focus on COVID-19 that was necessary last year reduced significantly. Though we have continued to predominantly meet online and work remotely, I am confident that the Board's effectiveness continues to be uncompromised in any way.

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

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

See more on the Board's activity during the year on page 51.

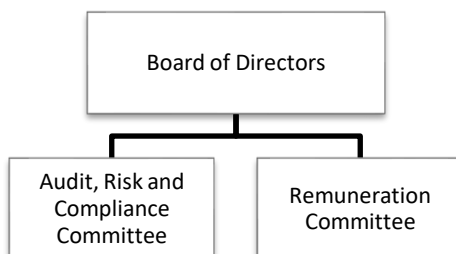
Colin Keogh

Chairman, Premium Credit Limited

Our corporate governance

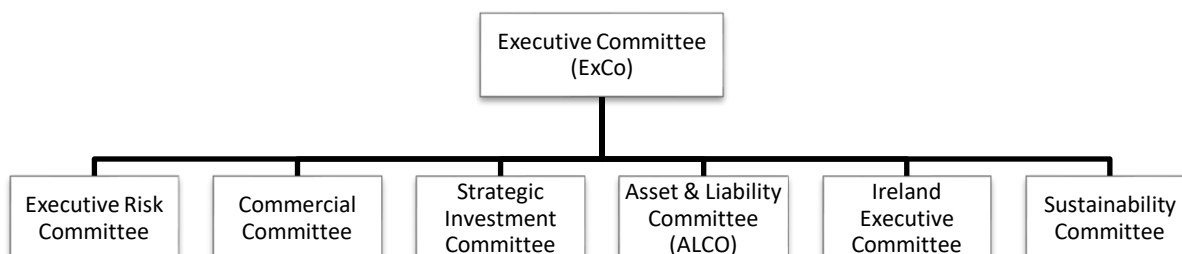
The Board has overall responsibility for setting the strategic direction of the business.

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



The Chief Executive Officer has established the Executive Committee and its sub-committees to assist in the management of the business, and to implement its strategic aims in an effective and controlled way. The Executive Committee provides general executive management of the business and facilitates cross-functional communication and liaison. The relevant Executive Committee member is accountable to the CEO and the Board for managing performance, the identification and mitigation of risk, and for the Group'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 49.



The Board

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

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

The Audit, Risk and Compliance Committee

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

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

The Committee comprises David Young (Chair), Maxim Crewe, Rebecca Abrey, Colin Keogh and Simon Moran, all of whom are Non-Executive Directors. The Board is satisfied that all Committee members have recent and relevant financial experience.

The Committee meets at least four times a year and has an agreed agenda linked to events in Premium Credit's financial calendar.

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

Significant matters addressed by the Committee

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

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

The Committee has paid particular attention during the year to:

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

Internal audit

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

External audit

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

Whistleblowing

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

Risk management

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

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

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

Our risk management framework, and the principal risks and mitigants, can be found on page 33 onwards.

The Remuneration Committee

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

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

Significant matters addressed by the Committee

The Committee considered a number of topics, in particular:

- The Group'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 Adjusted EBITDA;
- The review and approval of Executive, Senior Management and Sales team incentive schemes;
- The review of the Group's overall remuneration policy, reward and recognition schemes, Equity allocations and other reward matters.

Executive Committee's sub-committees

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

Executive Risk Committee

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

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

Commercial Committee

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

Strategic Investment Committee

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

Asset and Liability Committee ('ALCO')

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

Ireland Executive Committee

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

Sustainability Committee

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

Board activities during 2021

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

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

COVID-19

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

Strategy

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

ESG

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

Governance and risk management

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

People

- Ongoing focus on protecting and supporting people during the pandemic
- Consideration of flexible operating model initiative, developing both operating model and future ways of working strategies
 - o ensuring people understand and own the part they play in delivery for our community of customers and partners
 - o ensuring roles and responsibilities are clearly defined and we have the right people with the right capabilities

- Continuing to build on employee engagement through wellbeing, inclusion and performance excellence
- New Learning and Development Calendar and Hub launched with a focus on personal development sessions

Timeline of Board and Committee meetings

January – 26 January – Board, Audit Risk & Compliance Committee (ARCC), and Remuneration Committee

February – No meeting held

March – No meeting held

April – 20 April – Board and ARCC, 27 April Board and ARCC

May – No meeting held

June – No meeting held

July – 20 July – Board and ARCC

August – No meeting held

September – 23 September – Board Committee (Strategy)

October – No meeting held

November – 4 November – Board and ARCC

December – No meeting held

Directors' report

The Directors of Mizzen Mezzco Limited (the 'Group') present their Annual Report and audited consolidated financial statements for the year ended 31 December 2021.

Business review, results and dividends

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

Our business model is outlined on pages 10 to 11. The Financial review on pages 28 to 32 and the KPIs on page 27 contain highlights of the results for the year.

The Chief Executive Officer's review on page 6 and the strategy on page 12 provide details of our future outlook.

The Group generated a profit before tax for the year ended 31 December 2021 of £41.0 million, and no dividend was paid for that year. The Directors do not recommend the payment of a dividend for this year.

Principal risks and uncertainties

The principal risks and uncertainties, and their mitigants, are described on pages 36 to 40. Financial Risk Management is referred to in note 27.

Going concern

The Group's Securitisation Programme comprises two series of public asset backed securities, one issued in October 2020 for £378.0 million with a reinvestment period end-date of September 2022 and a final legal maturity of September 2024, and one issued in April 2021 for £283.5 million with a reinvestment period end-date of October 2023 and a final legal maturity of October 2025, as well as a £630.0 million variable funding notes facility (the 'VFN') with a reinvestment period end-date of July 2024.

In June 2020, certain performance triggers were amended both on the VFN and the then-outstanding asset-backed issues, with the consent of the VFN funders and the rating agencies. The amendments temporarily modified the early amortisation trigger events and were intended to grant structural flexibility in the context of COVID-19, in order to accommodate potential fluctuations in performance. These amendments were further refined and extended in 2021 for a 12-months period.

The existing structure and changes ensure that the business maintains a diversified and stable funding structure which reduces its liquidity risk.

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

As the Group is in a negative equity position, the Directors have received written confirmation of support from its ultimate parent undertaking, Pomegranate Topco Limited, for the Company for at least 12 months from the signing of the financial statements. The Directors have reviewed the forecasts of the Company and of the wider group taking into consideration longer-term commitments and the timings of future dividend payments and repayments of interest on external debt. Having reviewed these forecasts, and taken into account the forecast

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

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

Directors

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

- Tara Waite
- Andrew Chapman
- Rebecca Abrey (appointed 8 February 2022)
- Anthony Santospirito (resigned 8 February 2022)

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 during the financial year and at the date of approval of these financial statements. The Group also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Stakeholder relationships and employee engagement

The Group is committed to ensuring it maintains strong relationships with all stakeholders (including employees) and actively engages with them on an ongoing basis. Further details are provided in our Stakeholders' relations section (page 40) and in our ESG section (from page 16).

Human rights and Modern Slavery Act

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

We support the objective of the Modern Slavery Act 2015 and are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of the business. We actively engage with suppliers to ensure that compliance with modern slavery legislation is achieved. We have not incurred any fines or prosecutions in respect of non-compliance, and there have been no alleged breaches of the Modern Slavery Act during 2021.

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

Health and Safety Policy

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

We have mostly been operating remotely since mid-March 2020, although we have reopened our offices on a purely voluntary basis since September 2021. We have provided additional health and safety training in relation to home-working, and have undertaken home workstation assessments to ensure the wellbeing of our colleagues in this new environment.

There were no significant incidents in the workplace (including home-working) during 2021.

Environmental, social and governance matters

We are committed to conducting our business in a manner that protects the environment. This means ensuring that all relevant environmental legislation and regulations are met and reducing consumption of these resources. For further details including SECR reporting see page 19 onwards.

Employee relations

The Group 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 Group's policy in respect of employment, training, career development and promotion of disabled persons can be found on page 23.

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

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

The Group has an established whistleblowing framework which enables employees to raise issues when they feel it is appropriate, and which ensures that no employee making such disclosure will suffer any consequent disadvantage. There was one whistleblowing incident in 2021, which was handled in line with our whistleblowing policy.

Research and development

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

Financial risk management

The Directors have presented the financial risks relevant to the Group within the Principal risks and mitigations section of the Strategic Report.

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 group financial statements in accordance with UK-adopted international accounting standards and the company 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 group and company and of the profit or loss of the group 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 UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, 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 group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

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

- so far as the director is aware, there is no relevant audit information of which the group's and 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 group's and company's auditors are aware of that information.

This report was approved by the Board on 28 February 2022 and signed on its behalf by:



Tara Waite
Director

FINANCIAL STATEMENTS

Independent auditors' report to the members of Mizzen Mezzco Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Mizzen Mezzco Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the company financial statements 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
- the financial statements 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 consolidated and company balance sheets as at 31 December 2021; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements 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 group 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.

Our audit approach

Overview

Audit scope

- Premium Credit Limited was the only trading component in scope for the group audit and was audited to an overall materiality of £1,916,000. Where there were material external balances in other entities these were audited to the same materiality.

Key audit matters

- Revenue recognition - Effective Interest Rate (group)
- Measurement of listed debt on balance sheet (group)
- Recoverability of Amounts owed by Group undertakings (parent)
- Determination of expected credit losses on loans to customers (group)

Materiality

- Overall group materiality: £1,916,000 (2020: £1,800,000) based on 2.5% of earnings before interest, tax, depreciation and amortisation.
- Overall company materiality: £619,000 (2020: £610,000) based on 1% of total assets.
- Performance materiality: £1,437,000 (2020: £1,350,000) (group) and £464,250 (2020: £457,000) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Consideration on the impact of COVID-19, which was a key audit matter last year, is no longer included because of strong trading performance of the business despite the continued impact of the Covid-19 pandemic and therefore the risk associated with the COVID-19 pandemic, and specifically the potential impact of the pandemic on the ability of the Group and Company to continue as a going concern, is no longer considered significant. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition - Effective Interest Rate (group)</p> <p>Interest income on loans and advances made by the Group is recognised using the effective interest rate ("EIR") method, in line with IFRS 9 - Financial Instruments. Any account fees and direct transaction costs that form an integral part of the yield are included in the EIR. Given the magnitude of interest income, managements' application of EIR creates a higher risk of material misstatement due to error or fraud.</p> <p>Refer to notes 2(c) and 3(b) of the financial statements for the directors' disclosures of the related accounting policies and associated financial statement note.</p>	<p>We assessed whether the EIR calculation was in accordance with IFRS 9 — Financial Instruments. We audited the interest income and the effective interest rate model by testing the associated revenue controls, and re-performing the calculations for a sample of loans and advances, agreeing them to loan agreements and testing the effective interest rate calculations. Through the procedures performed above, we have determined that the effective interest rate model used and the assumptions management have made are appropriate and in accordance with IFRS 9 – Financial Instruments.</p>
<p>Measurement of listed debt on balance sheet (group)</p> <p>As at 31/12/2021, the Group had £700,000,000 of loan notes listed on the Irish Stock Exchange (2021: £700,000,000). During the year the Group redeemed and subsequently reissued £300,000,000 of loan notes listed on the Irish Stock Exchange. The loan notes are accounted for at amortised cost using the effective interest rate method, reduced by any capital redemptions occurring during the year. We therefore focused part of our testing on the measurement of the loan notes at year end.</p> <p>Refer to note 2(h) and 27 of the financial statements for the directors' disclosures of the related accounting policies and associated financial statement note.</p>	<p>We assessed whether the measurement of the loan notes was in accordance with IFRS 9 — Financial Instruments. We undertook the following procedures to test the measurement of the loan notes:</p> <ul style="list-style-type: none"> • Confirmed the contractual amounts outstanding at the year-end to confirmation from the issuing bank and Irish Stock Exchange records. • Confirmed receipt of loan amounts redeemed in the year to bank statements. • Confirmed loan amounts issued in the year to Irish Stock Exchange records. • Confirmed the effective interest rate method used within the amortised cost calculation • Tested the interest expense through recalculation and reference to contractual agreement. <p>Through the procedures detailed above, we have determined that the measurement of the listed debt was in accordance with IFRS 9 — Financial Instruments.</p>

<p><i>Recoverability of Amounts owed by Group undertakings (parent)</i></p> <p>The company has receivable balances totaling £17,352,052 (2021: £16,482,000) from group undertakings at the balance sheet date which should be reviewed at least annually for indicators of impairment. The balances are unsecured and are receivable in October 2022 or on demand within three business days of written notice from the lender. The Directors believe that the group companies have access to sufficient liquid funds, that can be utilised as and when required.</p> <p>Further information is set out in note 2(h) and note 16 to the financial statements.</p>	<p>We have evaluated management's assessment of Amounts owed by Group undertakings impairment, which includes verifying the liquidity available to the Group. We concur with the directors that no impairment was required.</p>
<p><i>Determination of expected credit losses on loans to customers (group)</i></p> <p>Determining expected credit losses ('ECL') involves management judgement and is subject to a high degree of estimation uncertainty, both of which have significantly increased as a result of the COVID-19 pandemic. A model is used by management to collectively assess and determine expected credit losses on loans and advances which are classified as live (defined by management as amounts with no significant increase in credit risk); in arrears (defined by management as amounts with a significant increase in credit risk); or terminated (defined by management as in default or otherwise credit impaired). For the year ended 31 December 2021, management's expected credit loss provision includes additional judgement to capture the estimated forward-looking economic impact of COVID-19, in the form of an economic overlay. This overlay considers the associated impact of the withdrawal of the government furlough scheme in September 2021.</p> <p>Refer to note 2(i), 3(a) and 15 of the financial statements for the directors' disclosures of the related accounting policies and associated financial statement note.</p>	<p>We understood and critically assessed the appropriateness of management's impairment model (including management's definitions of default and a significant increase in credit risk) including how management considered the impact of COVID-19 in its determination of the ECL provision. We tested the completeness and accuracy of key data inputs, that are used by management in the calculation of the ECL allowances. We performed testing over the measurement of the economic overlay recorded by management to account for the impact of COVID-19. We assessed the appropriateness of methodologies used to determine and quantify the overlay, including the reasonableness of key assumptions. Based on the evidence obtained, we concluded that the methodologies, modelled assumptions, management judgements, the data used and collective and individually assessed expected credit losses to be appropriate and in accordance with the requirements of IFRS 9.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group financial statements are a consolidation of 12 statutory entities, comprising the group's operating business, Premium Credit Limited and a number of intermediate holding and finance companies.

The accounting and financial management for all statutory entities is controlled from the UK, so we as the group engagement team have performed all required audit work.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - company
<i>Overall materiality</i>	£1,916,000 (2020: £1,800,000).	£619,000 (2020: £610,000).
<i>How we determined it</i>	2.5% of earnings before interest, tax, depreciation and amortisation	1% of total assets
<i>Rationale for benchmark applied</i>	Based on the benchmarks used in the Annual Report and Financial Statements, earnings before interest, tax, depreciation and amortisation is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark.	As the entity is established as an investment holding company, it would follow that users may focus their attention on the total assets. It is therefore considered appropriate that overall materiality be calculated at 1% of total assets.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £1,437,000 (2020: £1,350,000) for the group financial statements and £464,250 (2020: £457,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £95,800 (group audit) (2020: £90,000) and £30,950 (company audit) (2020: £30,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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 group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or 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 group and industry, we identified that the principal risks of non-compliance with laws and regulations related to local employment laws, listing rules of the Irish Stock Exchange and the International Stock Exchange, 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 director meetings that occurring during the year;
- Challenge of assumptions and judgements made by management in their significant accounting estimates;
- Review of internal audit reports in so far as they related to the financial statements;
- Performing risk based testing on journal entry postings; and
- Review of regulatory oversight plan, correspondence with FCA during the year and assessing the impact on the audit.

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Simon Bailey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 February 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Interest income		113,503	113,109
Interest expense		(15,976)	(15,423)
Net interest income	5	97,527	97,686
Fee income	6	19,915	16,902
Commission expense	7	(3,644)	(3,989)
Total income		113,798	110,599
Administrative expenses	8	(59,713)	(60,508)
Net reversal of impairment/(impairment losses) on Loans to customers	15	477	(1,216)
Operating profit		54,562	48,875
Finance income		12	37
Finance expense	10	(13,566)	(19,928)
Profit before taxation		41,008	28,984
Income tax expense	11	(3,370)	(831)
Profit for the financial year		37,638	28,153

The notes on pages 70 to 101 are an integral part of the financial statements.

Results relate to continuing operations.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company profit and loss account.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Profit for the financial year		37,638	28,153
Other comprehensive (loss)/income			
<i>Items that may subsequently be reclassified to the profit or loss:</i>			
Foreign currency translation (losses)/gains	23	(2,455)	1,831
Other comprehensive (loss)/income for the year		(2,455)	1,831
Total comprehensive income for the year		35,183	29,984

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Note	31 Dec 2021 £'000	31 Dec 2020 £'000
Assets			
Non-current assets			
Intangible assets	12	5,803	7,291
Property, plant and equipment	13	2,736	2,608
Right-of-use assets	14	4,030	4,938
Loans to customers	15	3,725	2,468
Prepayments and other receivables	16	366	289
Deferred tax asset	17	387	389
Total non-current assets		17,047	17,983
Current assets			
Loans to customers	15	1,561,534	1,429,839
Prepayments and other receivables	16	9,507	9,512
Corporation tax receivable		621	1,130
Cash and cash equivalents	18	151,581	124,303
Total current assets		1,723,243	1,564,784
Total assets		1,740,290	1,582,767
Liabilities			
Non-current liabilities			
Lease obligations	19	3,821	4,585
Borrowings	20	1,261,075	1,163,377
Total non-current liabilities		1,264,896	1,167,962
Current liabilities			
Lease obligations	19	793	847
Trade and other payables	21	486,964	461,504
Total current liabilities		487,757	462,351
Total liabilities		1,752,653	1,630,313
Equity			
Called up share capital	22	44,502	44,502
Accumulated losses		(57,052)	(94,690)
Other reserves	23	187	2,642
Total equity		(12,363)	(47,546)
Total liabilities and equity		1,740,290	1,582,767

The financial statements on pages 63 to 101 were approved by the Board on 28 February 2022 and signed on its behalf by:

Tara Waite,
Director

COMPANY BALANCE SHEET

As at 31 December 2021

	Note	31 Dec 2021 £'000	31 Dec 2020 £'000
Assets			
Non-current assets			
Investments	24	44,502	44,502
Prepayments and other receivables	16	-	16,482
Total non-current assets		44,502	60,984
Current assets			
Prepayments and other receivables	16	17,352	-
Total Current assets		17,352	-
Total assets		61,854	60,984
Liabilities			
Current liabilities			
Trade and other payables	21	755	755
Total current liabilities		755	755
Total liabilities		755	755
Equity			
Called up share capital	22	44,502	44,502
Retained earnings		16,597	15,727
Total equity		61,099	60,229
Total liabilities and equity		61,854	60,984

The Company made a profit of £0.9 million in the financial year (2020: £0.8 million).

The financial statements on pages 63 to 101 were approved by the Board on 28 February 2022 and signed on its behalf by:

Tara Waite
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Note	Called Up Share Capital £'000	Accumulated Losses £'000	Other Reserves £'000	Total Equity £'000
At 1 January 2020		44,502	(122,843)	811	(77,530)
Profit for the financial year		-	28,153	-	28,153
Foreign currency translation gains		-	-	1,831	1,831
Total comprehensive income for the year		-	28,153	1,831	29,984
At 31 December 2020 and 1 January 2021		44,502	(94,690)	2,642	(47,546)
Profit for the financial year		-	37,638	-	37,638
Foreign currency translation losses	23	-	-	(2,455)	(2,455)
Total comprehensive income/(loss) for the year		-	37,638	(2,455)	35,183
At 31 December 2021		44,502	(57,052)	187	(12,363)

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Note	Called Up Share Capital £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2020		44,502	14,886	59,388
Profit for the financial year		-	841	841
At 31 December 2020 and 1 January 2021		44,502	15,727	60,229
Profit for the financial year		-	870	870
At 31 December 2021		44,502	16,597	61,099

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Cash (used in)/generated from operations	25	(32,813)	88,144
Interest paid		(27,518)	(30,626)
Income tax paid		(2,857)	(725)
Net cash (used in)/generated from operating activities		(63,188)	56,793
Cash flows from investing activities			
Purchase of intangible fixed assets	12	(2,800)	(1,953)
Purchase of property, plant and equipment	13	(935)	(594)
Net cash used in investing activities		(3,735)	(2,547)
Cash flows from financing activities			
Proceeds from/(repayments of) borrowings		96,730	(7,574)
Principal elements of lease payments		(932)	(628)
Facility fees paid		(1,154)	(7,454)
Net cash used in financing activities		94,644	(15,656)
Net increase in cash and cash equivalents		27,721	38,590
Cash and cash equivalents at beginning of year		124,303	85,281
Foreign currency translation (losses)/gains		(443)	432
Cash and cash equivalents at end of year	18	151,581	124,303

The notes on pages 70 to 101 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Mizzen Mezzco Limited ('the Company'), and its subsidiaries (together 'the Group'), is a financial services Group specialising in funding and payment processing solutions. The Company is incorporated in England & Wales and domiciled in the United Kingdom. The address of the registered office is: Ermyn House, Ermyn Way, Leatherhead, England, KT22 8UX. The Company is a private company limited by shares.

The Group has a branch in the Republic of Ireland.

Details of subsidiaries and Group undertakings are provided in Note 24. These company and consolidated financial statements comprise both the financial statements of the Company and the Group.

2. Accounting policies

The accounting policies and methods of computation are consistent with those applied in the 2020 Annual Report and Financial Statements with the exception of new accounting policies adopted on 1 January 2021, as set out below.

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

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

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

(a) Basis of preparation

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

These consolidated financial statements have been prepared in accordance with UK adopted International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006. The consolidated financial statements of the Mizzen Mezzco Limited Group have been prepared under the historical cost convention modified to include the fair valuation of particular financial instruments, to the extent required or permitted under International Financial Reporting Standards (IFRS) as set out in the relevant accounting policies.

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

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The Company financial statements have been prepared under the historical cost convention 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 detailed in note 28.

The Company's parent undertaking, Pomegranate Acquisitions Limited, was notified of and did not object to the use of the UK-adopted IFRS disclosure exemptions.

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

- 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 and 18A 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 group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- The requirements of IFRS 7 *Financial Instruments: Disclosures*.
- The requirements in 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*.

Pursuant to s479A of the Companies Act 2006, Mizzen Mezzco 2 Limited and Vendcrown Limited (Group subsidiary undertakings), are exempt from the requirements of individual accounts' audits. As a condition of the exemption, the Group has guaranteed the year end liabilities of the relevant subsidiaries until they are settled in full.

(b) Going concern

The Group's Securitisation Programme comprises two series of public asset backed securities, one issued in October 2020 for £378.0 million with a reinvestment period end-date of September 2022 and a final legal maturity of September 2024, and one issued in April 2021 for £283.5 million with a reinvestment period end-date of October 2023 and a final legal maturity of October 2025, as well as a £630.0 million variable funding notes facility (the 'VFN') with a reinvestment period end-date of July 2024.

In June 2020, certain performance triggers were amended both on the VFN and the then-outstanding asset-backed issues, with the consent of the VFN funders and the rating agencies. The amendments temporarily modified the early amortisation trigger events and were intended to grant structural flexibility in the context of COVID-19, in order to accommodate potential fluctuations in performance. These amendments were further refined and extended in 2021 for a 12-months period.

The existing structure and changes ensure that the business maintains a diversified and stable funding structure which reduces its liquidity risk.

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

As the Group is in a negative equity position, the Directors have received written confirmation of support from its ultimate parent undertaking, Pomegranate Topco Limited, for the Company for at least 12 months from the signing of the financial statements. The Directors have reviewed the forecasts of the Company and of the wider group taking into consideration longer-term commitments and the timings of future dividend payments and

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

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

Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and all consolidated subsidiaries, including the securitisation SPVs.

Investment in Group undertakings

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

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

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

Special Purpose Vehicles

The Group enters into securitisation transactions in which it assigns receivables to a Special Purpose Vehicles (SPV) that supports the issuance of securities backed by the cash flows from the securitised receivables. Although none of the equity of the SPV is owned by the Group, the nature of these entities, which are in substance controlled by the Group, mean that the Group retains substantially all the risks and rewards of ownership of the receivables. As such the SPV is consolidated on a line-by-line basis in the Group consolidated financial statements. (See note 24 for details).

(c) Net interest income recognition

Financial instruments which are disclosed as loans and advances to customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement at fair value, including direct and incremental transaction costs, they are subsequently measured at amortised cost using the effective interest rate (EIR) method, less allowance for any expected credit loss (ECL). Calculation of the effective interest rate takes into account fees receivable that are an integral part of the instrument's yield, early redemption fees and transaction costs. The interest income calculated using this method is included in interest in the income statement. The ECL is recognised in the income statement in impairment losses on loans and advances to customers.

(d) Fee and commission income recognition

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

Administration and facility fees are initially measured at historical cost; they are subsequently measured at amortised cost using the effective interest rate (EIR) method. Fees received at the time of a specific event during a loan's life, with a predetermined transaction price, are recognised when that service obligation has occurred. No fees have performance obligations which satisfy over time.

(e) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted as at the balance sheet date in the countries where the Company and its branches operate and generate taxable income.

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

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

(f) Foreign currency translation

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

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

(g) Cash and cash equivalents

Cash and cash equivalents comprise deposits held at call with banks.

(h) Financial instruments

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

Financial assets

Financial assets comprise cash and bank balances, loans to customers and other receivables. When sales are generated the financial assets are accounted for at trade date.

Classification and measurement

Financial assets are classified into one of three measurement categories:

- (a) amortised cost;
- (b) fair value through other comprehensive income (FVOCI); or
- (c) fair value through profit or loss (FVPL).

Classification is based on the objectives of the Group'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 Group's loan portfolios and cash and bank balances within a 'hold to collect' business model.

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

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

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

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

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

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

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

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

Any gain or loss on an asset that is subsequently measured at FVTPL, and is not part of a hedging relationship, is recognised in profit or loss and presented in the profit or loss statement within 'Fair value gains/losses on financial instruments'.

Interest income from these financial assets is included separately in 'Net Interest Income'.

Financial liabilities

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. After initial recognition, interest bearing borrowings are stated at amortised costs with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. The Group 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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(i) Impairment of financial assets (Expected Credit Loss)

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

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

In relation to the above:

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

On an ongoing basis the Group 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 Group's 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 Group 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 SICR. Since the majority of Group'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. This excludes cases where the payment is delayed due to technical reasons. Where the Group 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.

Advances 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 Group refers to these kinds of advances as 'terminated agreement'. In addition to the qualitative factors, the advances have to be at least 30 days past due to fall into termination category.

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

Write off

The Group 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 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 31 December 2021 was £1.9 million (2020: £3.7 million).

Calculation of Expected Credit Losses (ECL)

At 31 December 2021, 99.8% of the outstanding advances 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 Group considers this to be the Probability of Default.

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

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

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

(j) Offsetting of financial instruments

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

(k) Impairment of non-financial assets

Non-financial assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. If an asset's carrying amount is determined to be greater than its recoverable amount it is written down immediately. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that have suffered 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 that item will flow to the Group. All other repairs and maintenance costs are charged to the consolidated income statement in the year in which they are incurred.

Depreciation is charged to the consolidated 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 the asset is brought into use. Work in Progress assets are not depreciated until they are brought into use and transferred to the appropriate category of property, plant and equipment.

The estimated useful lives for property, plant and equipment are:

Equipment	3 to 10 years
Leasehold improvements	10 to 20 years

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

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

(m) Intangible assets

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

(n) 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 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 Group;
- 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 the generating the intangible asset 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 assets 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
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(o) Relationships, Trade Marks and Goodwill

The Trade Name was valued employing a relief from royalty methodology to establish the fair value of the asset, using an estimated useful economic life at 15 years and a discount rate of 12%.

The Customer Relationships were valued employing the multi period excess earnings method to establish the fair value of the assets, using an estimated useful economic life at 15 to 20 years and a discount rate of 12%.

Customer Relationships and Trade Name are amortised over their useful life. They are also tested for impairment at least annually.

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

In these Financial Statements Goodwill relates to the acquisition of the Mizzen Mezzco Group in February 2015, which includes the cash-generating unit, Premium Credit Limited.

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

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

(p) Employee benefits

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

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, 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 Group:

- 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 Group, 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 Group sometimes provides residual value guarantees in relation to vehicle leases.

(r) Provisions for liabilities and charges and contingent liabilities

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

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

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

(s) Business combinations involving entities under common control

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

(t) Share capital

Ordinary shares and preference shares are classified as equity.

(u) Dividends

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

(v) Segmental reporting

The company operates in one class of business, namely the financing of insurance premiums and instalment services in the United Kingdom and Ireland. Accordingly, a segmental analysis of the company's business is not provided.

(w) Future accounting pronouncements

A number of new accounting standards and amendments to accounting standards have been issued by the IASB, which are not yet effective and have not been early adopted by the Group. These are set out below:

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

3. Critical accounting estimates and judgments in applying accounting policies

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

Critical accounting estimates

(a) Expected credit losses on financial assets

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

The economic impacts of the COVID-19 pandemic and the support measures introduced by governmental organisations during 2020 and their subsequent withdrawal from in the latter half of 2021 has resulted in a change from historic norms in the repayment and termination profiles of the loans written by the business. To establish an appropriate impairment provision following these changes an overlay has been applied to the Company's standard ECL modelling. The modelling of this overlay includes assumptions of the drivers of the eventual loss including future termination, collection and write-off rates, which have been impacted as a result of the pandemic and the associated support measures.

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

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

(b) Effective interest rate

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

has the potential to significantly impact income recognised in the consolidated income statement.

(c) Recoverability of Intercompany debtor

Intercompany balances are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. The company applies the IFRS 9 simplified approach to measure expected credit losses which uses a 12 -month expected loss allowance for amounts due from the other group companies. As intercompany balances are repayable on demand in nature, management considers the liquidity of assets held when assessing the recoverability of the intercompany debtors. When the counterparty doesn't have highly liquid assets, management considers the settlement of the loan by selling its investments held in subsidiaries as their recovery strategies. Therefore, the most significant estimates are the assessment of impairment of the underlying trading company (ie. Premium Credit Limited); hence the financial results and expected future cash flows of Premium Credit Limited are used as part of this assessment.

(d) Other provisions

The nature and complexity of the Group's contractual arrangements can often mean uncertain positions arise as a result of its normal trading activities. A provision is recognised when the Group 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 Group's liability. These estimates are reviewed each year and updated as necessary.

The Group is responsible for the making good of dilapidations to the building it leased at 60 East Street in Epsom to the end of March 2020. To establish the cost of this obligation the Group employed a firm of surveyors who have advised that the likely cost of the corrective works will be in the order of £0.8 million (2020: £0.5 million). In February 2021 the Group received a claim from the landlords of the property in relation to these costs for £2.7 million. These Financial Statements include a provision for the property obligation, which the management believes is the best estimate of the anticipated economic outflow based on professional advice. The Directors recognise that there are a range of possible outcomes which could be materially different from management's best estimate.

(e) Development costs

The Group has capitalised internally generated intangible assets as required in accordance with IAS 38. Management has applied judgement in determining that software development activities in the course of construction will result in a deployable system. The recoverable amount of the assets has been determined based on value in use calculations which require the use of estimates of future economic cashflows. A change in the estimate of any future benefits has the potential to reduce the recoverable amount of the asset recognised.

Critical Accounting Judgements

(f) Cyber insurance claim

The Group is currently undergoing a cyber insurance claim with the Group's corporate insurer in relation to the losses incurred following the 2018 cyber-attack. An offer has been made by the insurance company in settlement which is currently being reviewed by the Group's management. The range of any potential settlement at reporting date is between £0.3 million and £2.0 million. Until the settlement and amount has been become certain the asset has not been recognised in the financial statements.

4. Segmental reporting

The group operates in one class of business, namely the financing of insurance premiums and instalment services in the United Kingdom & Ireland. Accordingly, a segmental analysis of the group's business is not provided.

5. Net interest income

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

Interest payable on Securitisation notes in relation to the Securitisation programme is LIBOR/SONIA linked.

6. Fee income

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

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

7. Commission expense

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

Commission expense primarily relates to costs payable to our partners.

8. Administrative expenses

	Notes	2021 £'000	2020 £'000
Staff costs:			
Wages and salaries		22,997	22,366
Social security costs		3,050	3,227
Other pension costs		1,403	1,448
Total staff costs		27,450	27,041
Non-staff costs:			
Other administration costs		17,444	17,615
IT related expenditure		4,029	3,714
Depreciation and amortisation	12, 13, 14	6,117	6,955
Amounts written off on loans to customers		2,748	6,435
Operating lease (income)/costs		(137)	146
Foreign currency loss/(gain)		2,062	(1,497)
Loss on disposal of intangible assets		-	99
Total non-staff costs		32,263	33,467
Administrative expenses		59,713	60,508

Other administration costs in 2020 includes a release of a provision totalling £2.0 million in respect of legal and professional fees for the refinancing of the Senior notes at the start of 2021, which in the opinion of the Directors, is no longer required.

Operating profit is stated after (crediting)/charging:

	Notes	2021 £'000	2020 £'000
Operating lease rental (gains)/costs		(137)	9
Depreciation charge on property, plant and equipment and right-of-use assets	13,14	1,829	1,874
Amortisation charge on intangible assets	12	4,288	5,081
Impairment charge on intangible assets	12	-	449
Loss on disposal of intangible assets	12	-	99
Impairment of loans to customers		2,271	7,651
IT related expenditure		4,029	3,714
Impairments of loans to customers		2021 £'000	2020 £'000
Movement in expected credit losses/impairment allowance		(477)	1,216
Amounts written off during the year as uncollectible, net of recoveries		2,748	6,435
Impairment of loans to customers		2,271	7,651

Auditors' remuneration

Fees payable to the Group's auditors and their associates for the audit of the parent company, consolidated financial statements, and the Group's subsidiaries:

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

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

Employees

The average monthly number of employees (including executive Directors) employed by the Company during the year was 396 (2020: 399) at year end it was 391 (2020: 378). All employees are engaged in the financing of insurance premiums and instalment services and are split into the following functions:

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

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

The Company operates a define contribution pension scheme on behalf of its qualifying employees. There were no outstanding or prepaid pension contributions at the balance sheet date (2020: nil).

9. Directors' emoluments

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

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

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

No retirement benefits accruing to Directors (2020: £nil) under the Group's defined contribution pension scheme.

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

The remuneration of key management personnel is shown in Note 30(b).

10. Finance expense

	2021	2020
	£'000	£'000
Interest payable on:		
Lease obligations	238	281
Senior loan notes	13,328	19,647
Finance expense	13,566	19,928

11. Income tax expense

	2021 £'000	2020 £'000
Current tax expense – current year	2,683	1,812
Adjustment to prior years – current tax	275	(1,782)
Total current tax	2,958	30
Deferred tax expense – current year	5	250
Adjustment to prior years – deferred tax	(2)	(157)
Total deferred tax	3	93
Foreign tax	409	708
Total foreign tax	409	708
Total tax expense	3,370	831

The headline rate of UK corporation tax remains at 19% for 2021, however as part of the UK budget on 3 March 2021 it was announced that the corporation tax rate is set to increase to 25% by April 2023. Deferred tax balances have been recognised based upon when the balances are expected to unwind. A rate change adjustment arises due to this updated future tax rate. Intangibles have been recognised using a rate of 19% (2020: 19%) based upon applying straight-line amortisation this balance is expected to unwind before 1 April 2023. Fixed assets have been recognised at a rate of 24.8% (2020: 19%), as the majority of the balance is expected to unwind after 1 April 2023. The remaining immaterial balances have been recognised at 25% (2020: 19%).

The company's profits for this accounting period are taxed at the applicable rate of 19% (2020: 19%).

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

	2021 £'000	2020 £'000
Profit before taxation on ordinary activities	41,008	28,984
Profit before taxation on ordinary activities multiplied by the UK tax rate of 19.00% (2020: 19.00%)	7,792	5,507
Factors affecting expense for the year:		
Tax exempt income	-	(1)
Expenses not deductible for tax purposes	65	57
Overseas tax	409	708
Double tax relief	(409)	(708)
Adjustment to prior years – current tax	275	(1,782)
Adjustment to prior years – deferred tax	(2)	(157)
Effects of group relief for nil consideration	(4,655)	(2,717)
Effects of rate change	(105)	(76)
Other tax adjustments	-	-
Total tax expense	3,370	831

12. Intangible assets

	Assets under construction £'000	Software £'000	Total £'000
Cost			
At 1 January 2021	235	24,045	24,280
Additions	2,800	-	2,800
Disposals	-	(424)	(424)
Transfers	(1,786)	1,786	-
At 31 December 2021	1,249	25,407	26,656
Accumulated amortisation			
At 1 January 2021	-	16,989	16,989
Charge in the year	-	4,288	4,288
Disposals	-	(424)	(424)
At 31 December 2021	-	20,853	20,853
Net book value at 31 December 2021	1,249	4,554	5,803

	Assets under construction £'000	Software £'000	Total £'000
Cost			
At 1 January 2020	2,567	26,016	28,583
Additions	1,865	88	1,953
Disposals	(89)	(5,629)	(5,718)
Impairments	-	(538)	(538)
Transfers	(4,108)	4,108	-
At 31 December 2020	235	24,045	24,280
Accumulated amortisation			
At 1 January 2020	-	17,616	17,616
Charge in the year	-	5,081	5,081
Disposals	-	(5,618)	(5,618)
Impairment	-	(90)	(90)
At 31 December 2020	-	16,989	16,989
Net book value at 31 December 2020	235	7,056	7,291

Assets under construction relate to capitalised development costs.

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

During the previous financial year, assets with a carrying value of £0.5 million were impaired upon capitalisation as the value in use was identified and deemed to be lower than the development costs.

13. Property, plant and equipment

	Leasehold improvements £'000	Equipment £'000	Total £'000
Cost			
At 1 January 2021	2,872	6,045	8,917
Additions	4	931	935
Disposals	-	(434)	(434)
Exchange adjustments	-	1	1
At 31 December 2021	2,876	6,543	9,419
Accumulated depreciation			
At 1 January 2021	1,144	5,165	6,309
Charge for the year	281	524	805
Disposals	-	(431)	(431)
Exchange adjustments	-	-	-
At 31 December 2021	1,425	5,258	6,683
Net carrying value at 31 December 2021	1,451	1,285	2,736
Cost			
At 1 January 2020	2,872	5,543	8,415
Additions	-	568	568
Disposals	-	(64)	(64)
Exchange adjustments	-	(2)	(2)
At 31 December 2020	2,872	6,045	8,917
Accumulated depreciation			
At 1 January 2020	853	4,670	5,523
Charge for the year	291	562	853
Disposals	-	(64)	(64)
Exchange adjustments	-	(3)	(3)
At 31 December 2020	1,144	5,165	6,309
Net carrying value at 31 December 2020	1,728	880	2,608

See note 32 for contractual commitments on capital expenditure.

14. Right-of-use-assets

	Buildings £'000	Vehicles £'000	Total £'000
Net carrying value at 31 December 2020	4,791	147	4,938
Cost			
At 1 January 2021	6,433	459	6,892
Additions	64	52	116
Disposals	-	(327)	(327)
At 31 December 2021	6,497	184	6,681
Accumulated depreciation			
At 1 January 2021	1,642	312	1,954
Charge in the year	851	173	1,024
Disposals	-	(327)	(327)
At 31 December 2021	2,493	158	2,651
Net carrying value at 31 December 2021	4,004	26	4,030

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

15. Loans to customers

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

At 31 December 2021, £1,148.1 million (2020: £1,041.9 million) of the loans to customers had its beneficial interest assigned to SPV entities as a collateral for securitisation transactions.

An analysis of movements in the allowance for impairment losses under IFRS 9 *Financial Instruments* is as follows:

	2021 £'000	2020 £'000
At the beginning of the year	6,545	5,320
(Credit)/charge for impairment losses	(477)	1,216
Exchange adjustments	(29)	9
At the end of the year	6,039	6,545

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

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

16. Prepayments and other receivables

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Prepayments	8,980	9,016	-	-
Amounts owed by Group undertakings	893	785	17,352	16,482
Prepayment and other receivables	9,873	9,801	17,352	16,482
Split as:				
Current	9,507	9,512	17,352	-
Non-current	366	289	-	16,482

Prepayments and other receivables of £9.9 million (2020: £9.8 million) include £0.1 million (2020: £0.7 million) of fees relating to the Master Trust which are amortised over 5 years and £0.6 million (2020: £0.5 million) of fees relating to undrawn facilities.

The Group has amounts owed by Group undertakings of £0.9 million (2020: £0.8 million) which is attributable to expenses recharged to Pomegranate Acquisitions Limited, Pomegranate Holdings Limited and Pomegranate Topco Limited which are unsecured and repayable on demand.

Amounts owed by Group undertakings to the Company are unsecured and consists of a loan of £10.7 million (2020: £10.7 million) receivable from Mizzen Midco in October 2022 or on demand within three business days of written notice from the lender and earns interest at a rate of 8.135% per annum, interest accrued amounted to £6.7 million (2020: £5.8 million).

17. Deferred tax assets and liabilities

Temporary tax assets and liabilities are attributable to the following:

Deferred tax assets:	Accelerated capital allowances £'000	Other £'000	Total £'000
At 1 January 2020	673	28	701
Deferred tax charge/(credit) in respect of current year – income statement	(151)	(10)	(161)
Effect of rate change – income statement	-	3	3
At 31 December 2020	522	21	543
Deferred tax charge/(credit) in respect of current year – income statement	(192)	(7)	(199)
Effect of rate change – income statement	101	5	106
At 31 December 2021	431	19	450

Deferred tax liabilities:	Research and Development costs £'000	Total £'000
At 1 January 2020	(257)	(257)
Deferred tax charge/(credit) in respect of current year – income statement	133	133
Deferred tax charge/(credit) in respect of prior year – income statement	(29)	(29)
At 31 December 2020	(154)	(154)
Deferred tax charge/(credit) in respect of current year – income statement	89	89
Deferred tax charge/(credit) in respect of prior year – income statement	2	2
At 31 December 2021	(63)	(63)

At the end of the year the Group had gross tax losses available to carry forward for offset against future profits of £1.9 million (2020: £1.9 million). As there is uncertainty about whether relevant future taxable profits will exist within the individual entities going forward against which these losses can offset the deferred tax asset has not been recognised.

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

	2021 £'000	2020 £'000
Deferred tax assets due within 12 months	3	18
Deferred tax liabilities due within 12 months	(63)	(133)
Carrying amount at year end	(60)	(115)
Deferred tax assets due in more than 12 months	447	525
Deferred tax liabilities due in more than 12 months	-	(21)
Carrying amount at year end	447	504
Deferred tax asset as at 31 December	387	389

18. Cash and cash equivalents

	2021 £'000	2020 £'000
Bank balances	151,581	124,303
Cash and cash equivalents	151,581	124,303

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

	2021 £'000	2020 £'000
GBP	144,286	110,057
USD	4,444	2,706
EUR	2,851	11,540
Cash and cash equivalents	151,581	124,303

Cash and cash equivalents include encumbered cash balances held by SPV entities (see Note 28).

The external credit ratings of the Group's banking counterparties are:

	2021 £'000	2020 £'000
AA-	151,581	124,303
Cash and cash equivalents	151,581	124,303

19. Lease obligations

a) Liabilities

The Balance Sheet shows the following amounts relating to leases:

	2021 £'000	2020 £'000
Buildings	4,600	5,304
Vehicles	14	128
Lease obligations	4,614	5,432

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

Split as:

	2021 £'000	2020 £'000
Current	793	847
Non-current	3,821	4,585

b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2021 £'000	2020 £'000
Depreciation	1,023	1,020
Interest expense (included in Finance expense)	238	281
(Credit)/expense relating to short-term leases (included in Administrative expenses)	(2)	21

20. Borrowings

	2021 £'000	2020 £'000
Non-current		
Securitisation notes	1,081,338	977,658
Senior secured loan notes	179,737	185,719
Borrowings	1,261,075	1,163,377

Securitisation notes

Funding is provided by a £1,291.5 million (2020: £1,487.5 million) securitisation facility, which includes a VFN Facility extended in 2021 and two public term notes launched in 2020 and 2021. As at 31 December 2021, £1,083.9 million was drawn down on the securitisation programme (2020: £980.2 million) less loan fees of £2.5 million (2020: £2.6 million).

Senior secured loan notes	Issue Date	Maturity date	2021 £'000	2020 £'000
Senior Term Loan	16 Jan 2020	15 Jan 2026	179,737	185,719

Borrowings in the current year includes a £190 million Senior Term Loan facility due 2026 with a large private investment manager at a fixed interest rate of 6.5% plus a variable LIBOR margin, where interest is paid monthly, quarterly or biannually at the borrower's option. In October 2021, the interest rate was changed to SONIA +6.5% + a credit adjustment spread dependent on the length of the interest period. The Senior Term Loan was drawn on 16 January 2020, with its net proceeds applied towards the redemption of the whole amount of Mizzen Bondco Limited's previous borrowings. Unamortised costs were subsequently written off to the income statement (Level 3 inputs).

21. Trade and other payables

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Trade payables	468,580	444,108	-	-
Accrued expenses	15,981	14,624	-	-
Social security and other taxes	721	1,147	-	-
Amounts owed to Group undertakings	990	990	755	755
Other creditors	692	635	-	-
Trade and other payables	486,964	461,504	755	755

Split as:

Current	486,964	461,504	755	755
Non-current	-	-	-	-

The Group has amounts owed to Pomegranate Acquisitions Limited of £1.0 million (2020: £1.0 million) attributable to recharged expenses. The Company also has amounts owed to Premium Credit of £0.8 million (2020: £0.7 million) attributable to recharged expenses. These balances are interest free and repayable/receivable on demand.

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

22. Called up share capital

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Allotted and fully paid				
32,921,166 Ordinary shares of £1	32,921	32,921	32,921	32,921
11,581,089 Preference shares of £1	11,581	11,581	11,581	11,581
Called up share capital	44,502	44,502	44,502	44,502

Share capital consists of a single class of Ordinary Share which participate in dividends and distribution of capital equally and each have one vote per share.

23. Other reserves

	2021 £'000	2020 £'000
Opening foreign currency translation reserve	2,642	811
Foreign currency translation	(2,455)	1,831
Other reserves	187	2,642

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

24. Investments

Investments – Company	2021 £'000	2020 £'000
Cost and carrying value		
At 1 January	44,502	44,502
Additions	-	-
At 31 December	44,502	44,502

Subsidiaries at 31 December 2021 and 31 December 2020:

Company	Parent entity	Country of incorporation	Nature of business	Group interest	Capital
Direct group undertakings					
Mizzen Midco Limited	Mizzen Mezzco Limited	UK	Holding company	100%	£2,205,000
Indirect group undertakings					
Mizzen Bondco Limited	Mizzen Midco Limited	Cayman Islands	Bond financing	100%	£2
Mizzen Mezzco 2 Limited	Mizzen Bondco Limited	UK	Holding company	100%	£32,921,166
Mizzen Bidco Limited	Mizzen Mezzco 2 Limited	UK	Holding company	100%	£32,921,166
Vendcrown Limited	Mizzen Bidco Limited	UK	Holding company	100%	£16,258
Premium Credit Limited	Vendcrown Limited	UK	Finance services	100%	£10,000

The financial year end of all the subsidiaries is 31 December. All UK incorporated companies are registered at Ermyn House, Ermyn Way, Leatherhead, Surrey, KT22 8UX. Mizzen Bondco Limited is registered at PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

On 18 May 2021 the Company's subsidiary, Direct Debit Management Services Limited ('DDMS'), was dissolved. At 31 December 2020 the Company held 100% of the shares of DDMS and the Directors believed that the carrying value of the investment (£2) was supported by the underlying net assets. DDMS was incorporated in the UK and the registered address was Ermyn House, Ermyn Way, Leatherhead, Surrey, KT22 8UX.

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

The Group entered into securitisation transactions whereby it transfers assets recognised on its balance sheet to Special Purpose Vehicles (SPVs) but retains substantially all of the risks and rewards of the transferred assets and hence they are not derecognised. These securitisation transactions are to fund certain advances to customers. Although none of the equity of the SPV is owned by the Group, the nature of this entity means that the Group has the rights to all benefits from its activities and as such it is effectively controlled by the Group. All SPV entities are incorporated in England and Wales.

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

25. Cash (used in)/generated from operations

	2021 £'000	2020 £'000
Profit before taxation	41,008	28,984
Non-cash items included in profit before taxation		
Loan impairment charges	3,421	7,651
Depreciation and amortisation	6,117	6,955
Impairment of fixed assets	-	449
Loss on disposal of intangible assets	-	99
Finance costs – net	29,531	35,314
Non-cash items included in profit before taxation	39,069	50,468
Changes in operating assets and liabilities		
Net movement in loans to customers	(138,384)	6,887
Net movement in trade and other payables	24,473	5,450
Net movement in prepayments and other receivables	35	3,244
Net movement in accruals and deferred income	986	(6,889)
Changes in operating assets and liabilities	(112,890)	8,692
Cash (used in)/generated from operations	(32,813)	88,144

26. Interests in Special Purpose Vehicle entities

The business is funded by a Master Trust securitisation, which was put in place in December 2016 and became effective in February 2017, which involves a series of special purpose vehicle entities ('SPVs'). The SPVs issue series of debt instruments external to the Group, backed by the cash flows of the portfolio of receivables sold to the Master Trust. As at 31 December 2021, the Master Trust had issued two series of publicly listed term debt sold to capital market investors, a senior VFN sold to a syndicate of four major banks and a mezzanine VFN sold to one of these banks. These SPVs are consolidated as they were specifically set up for the purposes of the Group, and the Group has exposure to substantially all the risks and rewards of the portfolio of receivables.

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

27. Financial risk management

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

Risk	Exposure arising on	Measurement	Management
Credit risk	Loans to customers, Cash and cash equivalents	Staging under IFRS 9 Credit ratings	Credit checks Credit Limits Loan loss reviews
Market risk – interest rate	Long-term borrowing at variable rates	Sensitivity analysis	Contractual rate ratchets
Liquidity risk	Borrowings	Rolling cash flow forecasts	Availability of ineligible asset funding facilities
Market risk – FX rate	Financial assets and liabilities not denominated in pounds sterling	Cash flow forecast Sensitivity analysis	Concentration limits on loans in Euro and US Dollars

(a) Credit risk

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

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

Refer to Note 15 for the amount that best represents maximum exposure to credit risk at the end of the reporting period.

Management and monitoring of credit risk

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

Credit quality

Loans to customers represent 90.0% of total assets at 31 December 2021 (2020: 90.5%).

The credit quality of loans to customers is measured on the Staging allocation that the Group performs on its loan book. The Group staging assessment of its loans portfolio is detailed in Note 15.

Market risk – interest rate

Exposure to interest rate risk arises from the Group funding its activities through a Securitisation facility on which the rate of interest paid is variable. The Group has the ability through contractual rate ratchets to reprice future lending in the event of rate rises.

A 1% adverse movement in the interest rate on borrowing would have increased borrowing costs and reduced Group's profit before taxation by £10.8 million (2020: £9.8 million), however this would be largely offset by increased revenue from repricing of future lending via contractual rate ratchets.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through adequate amounts of committed credit facilities to enable the Group to meet obligations

when due. At the end of the reporting year the Group held deposits at call of £151.5 million (2020: £124.3 million). Due to the nature of the business, the cash position is monitored daily by the Group's Treasury function which maintains flexibility in funding through availability of committed credit lines.

The table below summarises the total assets that are capable of supporting future funding and collateral needs and shows the extent to which these assets are currently pledged for this purpose.

Encumbered asset summary	2021	2020
	£'000	£'000
Encumbered cash and cash equivalents	46,419	32,136
Unencumbered cash and cash equivalents	105,162	92,167
Cash and cash equivalents	151,581	124,303

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

Encumbered assets represent cash either held by, or due to, SPV entities.

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

Financing arrangements

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

Variable rate	2021	2020
	£'000	£'000
Expiring after more than one year (securitisation)	201,841	507,286
Undrawn borrowing facilities	201,841	507,286

The securitisation Variable Funding Note facility may be drawn down on demand on a weekly basis and is subject to the continuance of satisfactory credit ratings of the securitisation facilities.

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

Maturity profile

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

At 31 December 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	990	485,252	-	-	-	486,242
Lease Liabilities	-	1,034	967	2,967	-	4,968
Securitisation loan	-	378,000	283,500	422,383	-	1,083,883
Securitisation Interest	-	3,455	4,901	11,118	-	19,474
Private Loan	-	-	-	-	183,169	183,169
Private Loan Fees	-	-	-	-	49,589	49,589
Total financial liabilities	990	867,741	289,368	436,468	232,758	1,827,325
Financial assets						
Loans to customers	-	1,561,534	3,726	-	-	1,565,260
Other receivables	893	-	-	-	-	893
Cash and cash equivalents	105,162	46,419	-	-	-	151,581
Total financial assets	106,055	1,607,953	3,726	-	-	1,717,734
Maturity gap	105,065	740,212	(285,642)	(436,468)	(232,758)	(109,591)

At 31 December 2020	Repayable on demand £'000	<1 year £'000	1-2 years £'000	2-5 years £'000	> 5 years £'000	Total £'000
Financial liabilities						
Trade and other payables	990	459,367	-	-	-	460,357
Lease Liabilities	-	1,146	1,032	2,901	1,033	6,112
Securitisation loan	-	283,500	696,714	-	-	980,214
Securitisation Interest	-	992	13,308	-	-	14,300
Private Loan	-	-	-	-	190,000	190,000
Private Loan Fees	-	-	-	-	63,014	63,014
Total financial liabilities	990	745,005	711,054	2,901	254,047	1,713,997
Financial assets						
Loans to customers	-	1,429,839	2,468	-	-	1,432,307
Other receivables	785	-	-	-	-	785
Cash and cash equivalents	92,167	32,136	-	-	-	124,303
Total financial assets	92,952	1,461,975	2,468	-	-	1,557,395
Maturity gap	91,962	716,970	(708,586)	(2,901)	(254,047)	(156,602)

Market risk – FX rate

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

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

As at 31 December 2021, a 2.0% movement in the US dollar/GBP and EUR/GBP exchange rates would have had a of £0.5 million (2020: £0.5 million) impact on profits.

28. Financial instruments

(a) Classification of financial instruments under IFRS9

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

At 31 December 2021	FVTPL £'000	Amortised cost £'000	Total £'000
Liabilities			
Debt securities	-	1,261,075	1,261,075
Related party loan	-	990	990
Lease Liabilities	-	4,614	4,614
Trade and other payables excluding Related party loan	-	485,253	485,253
Total financial liabilities	-	1,751,932	1,751,932
Assets			
Loans to customers	-	1,565,259	1,565,259
Other receivables	-	893	893
Cash and cash equivalents	-	151,581	151,581
Total financial assets	-	1,717,733	1,717,733
At 31 December 2020	FVTPL £'000	Amortised cost £'000	Total £'000
Liabilities			
Debt Securities	-	1,163,377	1,163,377
Lease Liabilities	-	5,432	5,432
Related party loan	-	990	990
Trade and other payables excluding Related party loan	-	459,367	459,367
Total financial liabilities	-	1,629,166	1,629,166
Assets			
Loans to customers	-	1,432,307	1,432,307
Other receivables	-	785	785
Cash and cash equivalents	-	124,303	124,303
Total financial assets	-	1,557,394	1,557,394

(b) Fair values

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

There are three levels to the hierarchy as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Liabilities				
Borrowings	-	1,081,338	179,737	1,261,075
Lease Liabilities	-	4,614	-	4,614
Trade and other payables	-	486,243	-	486,243
Total financial liabilities	-	1,557,621	179,737	1,737,358
Assets				
Loans to customers	-	1,565,259	-	1,565,259
Other receivables	-	893	-	893
Total financial assets	-	1,566,152	-	1,566,152

At 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Liabilities				
Borrowings	-	977,658	185,719	1,163,377
Lease Liabilities	-	5,432	-	5,432
Trade and other payables	-	460,357	-	460,357
Total financial liabilities	-	1,443,447	185,719	1,629,166
Assets				
Loans to customers	-	1,432,307	-	1,432,307
Other receivables	-	785	-	785
Total financial assets	-	1,433,092	-	1,433,092

The valuation techniques and inputs used to derive fair values at the year-end are described below.

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

In each case the fair value is calculated by discounting future cash flows using benchmark observable market interest rates based on SONIA (changed from LIBOR during 2021) rather than Overnight Index Swaps (OIS), as using OIS would have no significant impact. This is kept under review.

29. Capital resources

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

The Group's objectives in managing capital are:

- To ensure that the Group has sufficient capital to meet its operational requirements and long-term strategic objectives;
- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for its stakeholders; and
- To provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

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

	Note	31 Dec 2021 £'000	31 Dec 2020 £'000
Debt			
Securitisation notes	20	1,081,338	977,658
Senior loan notes	20	179,737	185,719
Amounts owed to Group undertakings	21	990	990
Less: unencumbered cash	28	(105,162)	(92,167)
Net debt		1,156,903	1,072,200
Equity			
Total equity		(12,363)	(47,546)

30. Related party transactions

During the year the Group had the following transactions with Group undertakings:

(a) Transactions involving Directors and other key connected persons

For the purposes of IAS 24 'Related Party Disclosures', key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of an entity; the key management of the Group are the members of the Group's Board and Executive Committee.

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

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

(b) Remuneration of key management personnel

The amount of remuneration incurred by the Group in relation to key management is set out below in aggregate. The remuneration of the Directors is set out in Note 9. With the exception of the Chief Executive and the Chief Finance Officer, the Directors and key management are not the same body of persons. Further information in respect of key management personnel at the date of signing the financial statements is included in the Governance report.

	2021	2020
	£'000	£'000
Short-term employee benefits	4,393	3,829
Termination benefits	93	1,088
Total emoluments	4,486	4,917

The costs of senior management personnel are borne by Premium Credit.

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

(c) Trading transactions

During the year, the Group paid to Cinven service fees of £0.4 million (2020: £0.4 million) and at the end of the year £0.1 million (2020: £0.1 million) was unpaid. Amounts owed to and from Group undertakings are identified in Notes 16 and 21.

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

(d) Ultimate parent undertaking and controlling party

At 31 December 2020 the Group's ultimate parent undertaking was Pomegranate Topco Limited which is incorporated in Jersey and the Board considers the ultimate controlling party to be Cinven Partners LLP. Financial statements for The Fifth Cinven Fund can be obtained from its Corporate Affairs office at Cinven, Warwick Court, Paternoster Square, London, England, EC4M 7AG.

The parent undertaking of the largest company to consolidate these financial statements is Pomegranate Topco Limited. Copies of the Pomegranate Topco Limited consolidated financial statements can be obtained from its registered office at 11-15 Seaton Place, St Helier, Jersey, JE4 0QH.

(e) Immediate parent undertaking

The Company's immediate parent company is Pomegranate Acquisitions Limited which is incorporated in England and Wales. Financial statements for Pomegranate Acquisitions Limited can be obtained from its registered office at Ermyrn House, Ermyrn Way, Leatherhead, England, KT22 8UX.

31. Contingent liabilities and commitments

Capital commitments

At 31 December 2021, the Group had capital commitments related to intangible assets of £0.6 million (31 December 2020: £0.1 million). This is in respect of IT software development and IT hardware.

32. Charges

Charges relating to multiple entities exist within the Group, please refer to the individual accounts for further disclosures.

33. Post balance sheet events

There were no post balance sheet events.

OTHER INFORMATION

Corporate Information

Directors	Andrew Chapman Tara Waite Rebecca Abrey
Company Secretary	Elizabeth Annys
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Investor Relations	investor@pcl.co.uk
Solicitors	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HT
Bankers	HSBC Bank PLC 8 Canada Square Canary Wharf London E14 5HQ
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT