Premium Credit Limited

Annual Report and Financial Statements

for the year ended 31 December 2017

Registered Number: 2015200

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A: STRATEGIC REPORT

A1: BUSINESS MODEL

Premium Credit Limited helps almost 2.5 million customers to manage their finances. The Company has a clear vision to be a trusted finance provider in our chosen markets.

What we do

The Company provides instalment finance via our network of intermediaries, to individuals, SMEs and companies in the UK and Ireland. Our intermediary network consists of firms, such as insurance brokers, insurance providers, membership organisations, schools and leisure facility providers.

How we do it

We provide loans ('advances') to our end-customers, which are used to pay annual insurance premiums, service fees such as school, professional membership, sports and leisure fees, or business fees and payments. These advances are recouped on a monthly instalment basis, usually within less than a year.

Why we have been successful

Our size and long operational history has allowed us to develop an advanced and scalable Information Technology system, which helps us to provide our intermediaries and other clients with funding propositions through regulatory compliant customer journeys. Our scale allows us to efficiently adapt our systems and processes to changes in regulation and customer expectations. We are able to service a high volume of payments and collect amounts outstanding on our advances on a reliable and continual basis. We work with a diverse network of approximately 3,000 leading brokers, insurers and other intermediaries who offer our financing products to end-customers. We have strong and resilient relationships with our intermediaries.

Why what we do matters to people

End customers

As the finances of people and businesses in the UK and Ireland are put under pressure due to the macro-economic and political environment, our end customers are looking for alternative ways to finance large annual payments and manage their cash flows. These items include critical purchases such as insurance and large one-off business payments, in addition to finance of aspirational and leisure pursuits such as private school fees and golf club membership.

Intermediaries

By outsourcing this vital part of their operating model to us, a third-party finance company, our intermediaries deliver additional services to their customers and benefit from the improved efficiency in their own business models. Our experience and scale enables them to:

- reduce costs.
- improve their cash flow and liquidity.
- fulfil their regulatory obligations through our compliant customer journeys.

How we generate income

Our income stream derives from a combination of interest income on amounts we have advanced to our customers and fees due for services we provide.

Our market position

We are a UK leader in the financing and processing of instalment services. We have an unrivalled position in the insurance industry, a sector that is characterised by stable and regular annual payments. We continue to use our experience to explore potential expansion into related and adjacent markets.

Our Competitors

Our nearest competitors are other finance providers such as banks and non-bank credit providers. The Fintech era has seen a change in the way that people transact and purchase products, with new entrants occupying a niche position in several segments. However, investment in our IT systems and platforms has streamlined our operating model, enabling us to have much greater capacity to rapidly build bespoke, flexible new products and services. We also see some of the new entrants into the market as potential partners, which could increase the take up of our products.

Our competitive advantage

Whilst there are other key players operating in the market, there are specific elements of our proposition which strongly differentiate the Company:

- Long term strategic partnerships – we are one of only two major providers in the instalment fee lending market in the insurance industry. We have long-established relationships and our expertise is highly valued as part of our overall service proposition, with 9 of our current top 10 intermediaries having worked with us for more than 10 years.

- Technology platform and integration – our information technology platform enables point of sale financing and is integrated with our distributed network partners' businesses, which improves the efficiency of their operating model. Our system becomes an integral part of their payments processing. We are increasingly offering tools to enable end customers to self-serve, making transactions and servicing as simple as possible and enhancing our customer service.

- Scale and scalability – our efficient and accessible systems process nearly 28 million direct debit transactions in a year on behalf of over 2.5 million customers.

- Deep insurance industry and credit expertise – our financing solutions provide us with multiple layers of credit protection; our credit loss rate in 2017 averaged 0.20% of our net advances in the year (2016: 0.14%). These loss rates are significantly lower and less volatile than other forms of consumer finance.

- Our innovation, investment in technology and marketing strategy have been critical in changing the way the market operates and maintaining our leading position within it, whilst diversifying our revenue streams through the targeting of additional high value segments.

A2: PRINCIPAL RISKS AND MITIGATIONS

The principal risks to which the Company is exposed, which could significantly affect its prospects of success, are summarised below:

Conduct and Compliance Risk – Fair Outcomes	**Risk direction:**
Description	**Mitigation**
Conduct Risk is the risk that our operating model or those of our intermediaries might lead to unfair outcomes for our customers or we fail to appropriately remediate customers when we do get it wrong.	The Company has a suite of policies and processes which focuses on the fair treatment of customers. We have an Executive Risk Committee that receives details of all operational risk incidents that have affected customers, together with actions to address any unfairness. In addition, the Committee focuses on monitoring detailed metrics that measure results for customers. Where any activities are identified that result in unfair customer outcomes, we are focused on ensuring that they are addressed as a matter of priority and that any adverse impact on the customer is promptly remedied.
Conduct and Compliance Risk - Regulatory	**Risk direction:**
Description	**Mitigation**
The risk of loss arising from a breach of existing regulations, failure to implement changes relating to new legislation or regulation, or the imposition of adverse future regulatory changes in the markets the Company operates in.	The Company has Risk, Compliance and Legal teams that reviews key emerging regulatory developments to assess the impact on the Company. Expert third party advice is also sought where necessary. The compliance team has developed a formal monitoring plan which is reviewed by the Executive Risk Committee and the Risk Committee. All employees are required to undertake regulatory training. There is additional regulatory focus in 2018 onwards; the Company has specific programmes and projects dedicated to meeting such new regulations. Regular updates are provided to Executive Committee (Exco) and the Board.
Operational Risk – System and Process	**Risk direction:**
Description	**Mitigation**
The risk of loss arising from inadequate or failed internal processes, systems and from arrangements with third parties.	The management of Operational Risk continues to be an area of on-going focus. Having migrated from legacy IT platforms, the focus is now on creating a 'best in class' platform providing strong foundation for the future evolution of the business. To improve the overall control environment, the Group continues to make significant investment in development of risk management frameworks, systems and processes, including IT project management, implementation planning and cyber-risk management. An annual Internal Audit review plan is undertaken across a number of critical risk-based areas to provide assurance and monitoring oversight.
Keys: Increase Decrease	No change

Operational Risk – People	Risk direction:
Description	**Mitigation**
The risk of loss arising from manual errors, control failures or internal / external fraud.	The risk of loss arising from errors or fraud increases with high turnover and poorly trained staff. The Group seeks to reduce the turnover by attracting, retaining and developing staff through ongoing training and development. In addition, improvements in the control environment include focusing on reducing the reliance on key individuals through identification of alternative colleagues with similar skills and building repeatable processes which rely less on individuals and more on systems and identified controls.
Interest Rate Risk	**Risk direction:**
Description	**Mitigation**
The Company is exposed to the risk that interest rate changes may compromise its profitability. Specifically, the Company's net income is determined by the difference between the interest rates it lends at and those at which it borrows.	The Company has a treasury function responsible for day to day management and control of its exposure to interest rate risk. The Asset and Liability Committee monitors interest rate risk on a monthly basis and reports to the Risk Committee quarterly. The Company has the ability through contractual rate ratchets to reprice future lending in the event of rate rises. The Company's asset backed funding facilities are variable rate facilities.
Liquidity Risk	**Risk direction:**
Description	**Mitigation**
The risk that the Company will have insufficient liquidity to fulfil its strategic lending targets and/or meet its financial obligations as they fall due.	The Company funds its activities through a securitisation facility. From 2 February 2017, the Company has implemented a Master Trust funding platform to access public markets funding alongside its existing bank funders.
Foreign Exchange Risk	**Risk direction:**
Description	**Mitigation**
The Company operates in Ireland as well as the UK and is exposed to foreign exchange rate risk arising from currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.	The level of operations in Ireland in relation to the Company as a whole is such that the foreign exchange risk is deemed to be acceptable. There are no hedges in place to mitigate this risk.
Keys: Increase Decrease	No change

Credit Risk – Customer	Risk direction:
Description	**Mitigation**
PCL provides finance to individuals, partnerships and companies who wish to pay annual payments in monthly instalments. There is a risk that adverse changes in the economic environment or in the credit quality of our borrowers may result in additional impairment losses that could affect financial performance.	For our recourse products, Credit Risk is mitigated through the commercial arrangements that we have with our credit intermediaries. In circumstances where borrowers default, outstanding balances are received from our intermediaries through a deduction from commission payments. For non-recourse products, the Company has credit risk policies in place setting out detailed criteria for checks that must be undertaken before a loan is made. The credit risk function reports to the Exco Risk Committee and the Risk Committee on the performance of the Company's lending portfolios. In addition, the Company has rigorous and robust processes in place to manage arrears.
Credit Risk - Counterparty	**Risk direction:**
Description	**Mitigation**
The Company has a large number of commercial arrangements with credit intermediaries, who are the first point of contact when recourse borrowers default. These intermediaries may also be service providers to our borrowers, with the risk of high cancellations if services are no longer provided. In addition, for non-recourse lending we have commercial arrangements requiring commission payments to be paid before being collected from the borrower, or where advance finance commission payments are being made. These payments can cause an exposure whilst they are collected from the borrower for the duration of their loan. For recourse insurance premium finance, the Company is also exposed to the risk of insolvency of the underlying insurer in relation to higher cancellations or obtaining return premiums.	The Company operates an extensive process of due diligence in relation to the intermediaries with whom it enters into trading relationships. Once a relationship is in place, there is a continuous monitoring programme that keeps the financial, regulatory and trading performance of our intermediaries under regular review. Where upfront payments are made, these are subject to a detailed modelling exercise to determine the level of financial risk that we are prepared to accept from any given intermediary. For insurers, regular monitoring and evaluation of exposure and financial condition is undertaken, especially for unrated insurers. The credit risk policy was reviewed and updated in 2017 to more proactively identify and mitigate counterparty risk.
Business Risk – Economic and Competition	**Risk direction:**
Description	**Mitigation**
The risk of loss arising from the failure of the Company's strategy or management actions beyond the planning horizon. The business faces competition from other providers of insurance premium and service fees financing in the UK and Ireland, as well as from providers of alternative forms of credit. Deteriorating economic conditions may reduce demand for our advances or the products for which we provide advances, and this would materially and adversely affect our financial health and operational results. We depend on our network of intermediaries to sell advances, and any changes to our relationships with them could have similar consequences.	The Company has a strong record of operating successfully in its chosen markets throughout its over 28 year history, which it has achieved by continually improving its service proposition. The Company maintains strong relationships with its business intermediaries, customers and software house integrators. It is active in industry-wide groups that enable market trends to be identified and addressed. It also monitors competitors' products, pricing and positions to enable it to keep its own proposition under review. The Company continues to closely monitor the uncertainty around Brexit and further possibility of interest rate rises. By maintaining a strong financial and liquidity position we aim to be able to absorb short-term economic downturns.
Keys: Increase Decrease	No change

A3: STRATEGY

The 2017 results show that our business continues to be in a leading position in our chosen markets. Our strategic planning process constantly evaluates new developments in the market and our strategic objectives are revised accordingly. We are identifying new opportunities where our technology can be adapted and utilised by a growing number of users.

Our Earnings

The majority of our earnings originate from the financing of insurance premiums. Insurance is an essential product for many borrowers and is often a legal requirement. Our point-of-sale lending services are highly integrated with our intermediaries' systems, resulting in efficient processing.

Our Objectives

Our objectives are to:

1. Develop technology solutions which deliver unrivalled customer experience, enhanced analytics and reduced costs through increased integration and efficiency.

2. Invest in innovation to make sure our technology is leading the market, rather than reacting to the dynamic evolution of the industries in which we operate.

3. Create a strong risk and governance framework which ensures fair outcomes for customers, complies with regulatory requirements and helps our intermediaries to manage their legal and regulatory obligations.

4. Maintain a secure, diverse and stable funding structure.

5. Develop and grow relationships which add value for intermediaries and our mutual customers.

6. Look to secure the most talented staff available in the market and to develop their capabilities.

To develop technology solutions which deliver an unrivalled customer experience, enhanced analytics and reduced costs through increased integration and efficiency.

The majority of our lending is integrated into our partner's point-of-sale. Our technology allows straight through and automated processing which reduces manual intervention and creates significant cost savings. We process nearly 28 million direct debits each year which requires stable and resilient operating platforms.

We will continue to invest in technology infrastructure and platforms to enhance our product and service offerings. Our strategy is to integrate further with our intermediaries to improve the overall customer experience, which is one of the key differentiators in the market.

To invest in innovation to ensure our technology is leading the market, rather than reacting to the evolution of the industries in which we operate

Following the implementation of a new loan administration system in 2016, we have focused our investment in client facing technology programmes such as EPICC (Electronic Payments for Insurance Customers and Clients) and FITS (Fully Integrated Transaction Service). Both systems are live with a number of intermediaries, and we are in the process of delivering functional enhancements and continuous improvement to these offerings prior to roll out across the wider intermediary base. The deployment of our new loan administration system is allowing us to leverage new digital technology to provide a seamless customer journey.

We have a dynamic, scalable platform which can provide our intermediaries with bespoke solutions. It also enables us to adapt to regulatory change, delivering complaint customer journeys for our partners.

To create a strong risk and governance framework, which ensures fair outcomes for customers, mitigates regulatory risks and helps our intermediaries to manage their legal and regulatory obligations

As a financial services company regulation is an ever present factor in our market. Our aim is to ensure that we grow at a sustainable rate and minimise any regulatory risk within our business both for ourselves and our intermediaries.

The Company is exposed to a variety of risks, particularly Credit, Conduct, Operational, Cyber and Liquidity risks. For Credit risk, the Company has multiple layers of credit protection available. These protections arise as our earning stream derives predominantly from the financing of cancellable and rebateable services. As a result, our loss rates are low, and show little volatility through the economic cycle. We will continue to invest resources in strong credit and counterparty underwriting to maintain these low loss rates and are enhancing our affordability and credit assessment processes to ensure appropriate outcomes for our customers.

The Company is regulated by the Financial Conduct Authority. We have enhanced our approach to assessing affordability in 2017 to ensure we continue to deliver fair outcomes to our customers. We will continue to assess the impact of these changes on our customers and make further adjustments if necessary in the future. Given the high number of customers we serve, we will continue to manage our business within a strong compliance risk and governance framework, and will continue to invest in strengthening our operational processes and controls to ensure fair outcomes for our customers.

To maintain a secure, diverse and stable funding structure

Funding is primarily provided by a £1,109.5 million (2016: £1,250.0 million) securitisation funding facility. As at 31 December 2017, £1,005.2 million was drawn down on this facility (2016: £990.4 million).

The company amended the terms of its securitisation programme in December 2016 to create a Master Trust (via PCL Asset Trustee Limited) which facilitates the issuance of term notes alongside the variable funding note (VFN) facility. The Master Trust became operational in February 2017.

In June 2017, an initial public issuance was launched via a new Special Purpose Vehicle (SPV), PCL Funding II, of a 3 year £300 million revolving period facility, consisting of "A", "B" and "C" Notes, rated by Moody's and DBRS, and unrated "D" Notes, with the re investment period end date of 15 June 2020.

In November 2017, a second public issuance was launched via a new SPV, PCL Funding III, of a 3.6 year £300.0 million revolving period facility, consisting of "A", "B" and "C" Notes, rated by Moody's and DBRS, and unrated "D" Notes, with the re investment period end date of 15 June 2021.

The business is committed to an annual issuance program of three-year public notes, subject to underlying business growth and market conditions, allowing it to diversify its funding whilst mitigating refinancing risk. The company expects some headwinds in macroeconomic (e.g. Brexit, tightening monetary policy) and technical (the cessation of the BoE's Term Funding Scheme (TFS)) factors in 2018.

In August 2017 the business agreed the extension of the securitisation notes issued by PCL Funding I Ltd until August 2020 and reduced the VFN facility size to £850 million. In November 2017, following the second issuance of public notes, it reduced the VFN facility further to £544.0 million.

To develop and grow relationships which add value for our intermediaries and our mutual customers

Our distribution strategy has three clear aims:

1. To deepen our relationships with existing intermediaries.
2. To identify new opportunities in markets that can benefit from our technology, lending and regulatory expertise.
3. To reduce processing costs and add value for our customers through an improved experience.

Our focus is on providing affordable instalment credit to help individuals and businesses smooth cash flows during the year. We believe this area of the market offers strong margins and sustainable returns and is valued by customers. We lend to a wide customer base which means that our credit risk is highly diversified.

We manage, monitor and support our intermediaries via a dedicated and experienced relationship team to ensure dealings with our customers are ethical, comply with relevant regulatory requirements and are of a consistently high standard. In addition, we support intermediaries with training, consultancy and market analytics to help them optimise performance and prepare for future changes in the industry. Our dedicated support for our intermediaries is a key differentiator versus our competitors.

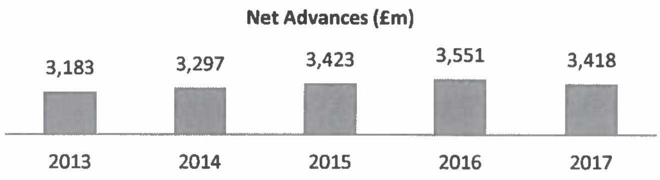
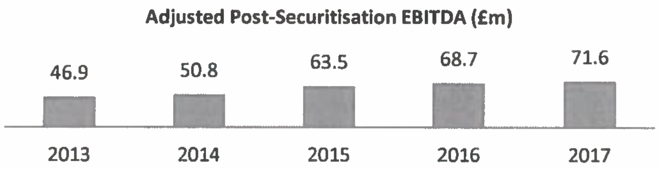
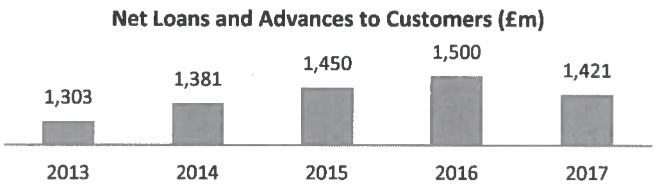
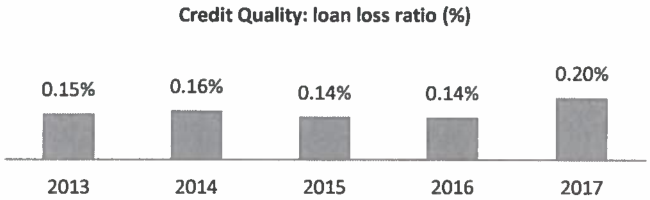
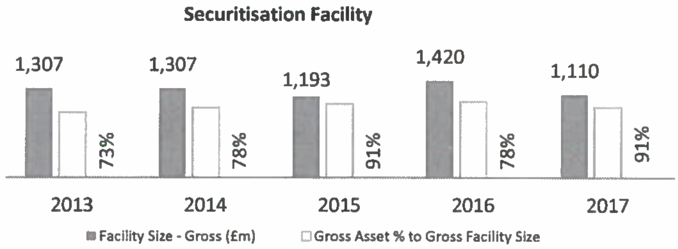
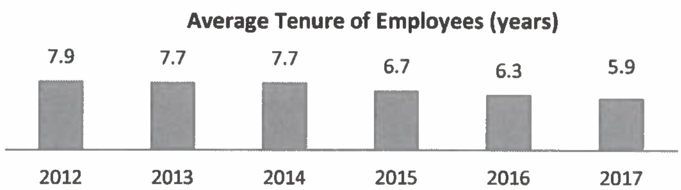
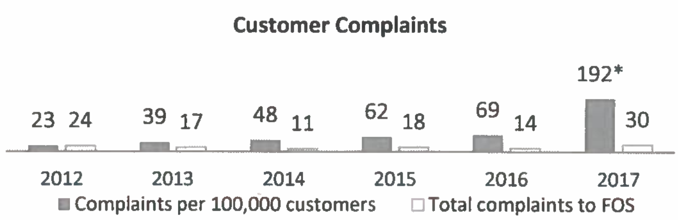
We have developed market-leading analytics and insight to support our intermediaries' performance management and objectives. In 2017, we worked with our intermediaries to improve customer retention, providing training in sales and developing customer communication skills. The result has been improved customer management throughout the cycle. We have begun to measure Customer Satisfaction (CSAT) and collecting customer feedback to improve our customer service.

To secure the most talented staff available in the market and to retain and develop their capabilities

The wellbeing, engagement and development of our employees is critical to the growth of the Company. Moving to our new offices in Leatherhead at the end of 2016 has enabled, all our UK colleagues to be based in one office, facilitating collaboration and closer working with co-dependent teams.

Additionally, we have initiated a programme of regular colleague surveys, obtaining feedback which is driving our people plan, making the organisation a great place to work and increasing the engagement of our employees. During 2017, there was noticeable improvement in colleague engagement, but we are focused on making further improvements, especially in colleague empowerment and our leadership capability.

A4: KEY PERFORMANCE INDICATORS

Key Performance Indicator (KPI)	Description
	Net Advances measure the total value of advances processed, net of cancellations and mid-term adjustments. This is a leading indicator of future income that will be generated by the business.
	Adjusted Post-Securitisation EBITDA is the Group's primary internal measure of profitability.
	Net Loans and Advances to Customers measures the outstanding loan value at the year end. This is a leading indicator of future income and cash flows.
	Credit quality: loan loss ratio is the impairment loss on our customer advances divided by the net advances in the year. It is a measure of the credit quality of the loan book.
	The proportion of our securitisation drawn down relative to the total facility is a key measure of the availability of funding to facilitate growth in the loan book. Securitisation facility is defined on page 12.
	The average tenure of employees is a measure of the amount of experience maintained within the business.
	Reportable customer complaints per 100,000 loans written measures the level of complaints normalised for business volumes. This is supplemented by the total number of Reportable complaints made to the Financial Ombudsman (FOS). *Change in methodology to include written and oral complaints versus only written in 2016 and prior years.

A5: BUSINESS REVIEW

Financial review and KPI's

Highlights

The Company delivered a satisfactory financial performance with Profit before tax of £48.4 million, a decrease of 19.9%. Key trading highlights of the year include:

- An Increase of 2% in net interest income to £101.7 million (2016: £99.7 million).
- An Increase of 26.5% in administrative expenses to £65.8 million (2016: £52.0 million).

Net Interest Income

The increase in net interest income of 2% was primarily due to decrease in interest expense driven by the two public ABS issuances in June and November 2017 and a reduction in the VFN margin in August 2017. This was partially offset by a reduction in interest income of 0.8%, due to a reduction in net advances in the year of 3.7%. The reduction in net advances was due to broker loss as a result of consolidation in the broker market and lower new business volumes from some of our retail brokers being impacted by wider macro-economic factors. Adjusting for the impact of broker loss due to market consolidation, our net advances for the year were 3.8% higher than last year. The business remains confident of its medium-term trajectory, with the roll out of our new point of payment platforms, which we expect will increase the take up of Insurance Premium Finance with existing intermediaries and see a healthy new business pipeline into 2018.

Administrative expenses

Administrative expenses have increased by £13.8 million to £65.8 million (2016: £52.0 million). This is primarily driven by an increase in expenditure on new IT initiatives of £10.9 million (2016: £13.3 million) and related depreciation. This expenditure represents a considerable investment in improving the business's customer journeys and operating efficiency. Net Credit Losses increased by £2.0 million to £6.9 million (2016: £4.9 million), primarily due to failure of one intermediary which went into administration.

Profit before taxation

Profit before taxation has decreased by £12.0 million to £48.4 million (2016 £60.4 million) primarily driven by the increase in administration expenses due to investment in new IT initiatives.

Funding and liquidity

The Company has two sources of funding:

Securitisation Facility – The Company entered into a securitisation facility, backed by eligible receivables, in 2012. In December 2016, a Master Trust facility was put in place, which became effective from 2 February 2017, replacing the existing securitisation facility. This provides access to the same sources of funding as under the securitisation facility, with the addition of funding through an excess concentration series. The new structure enabled the Group to make two public Asset-backed security (ABS) issuances of £300 million each during 2017, totalling 600 million. This has diversified our funding base, further reducing liquidity risk. As at 31 December 2017, the VFN facility limit was £544.0 million with six leading banks as counterparties. In August 2017, the final legal maturity date of the Securitisation Notes was extended to August 2022. Fees of £6.6 million relating to the Master Trust have been capitalised during the year and £1.5 million of previously capitalised securitisation facility fees were expensed as a result of the above.

The Company has complied with all its funding covenants in the year.

Non-financial KPI's

Average tenure of employees

The average tenure of employee measures the average period of service across the workforce. The Company continues to attract and invest in new talent and capability as the business becomes more technology focused, which has resulted in a slow downward movement in this metric over the years.

Customer complaints

The Company maintains two KPI's for customer complaints: complaints we receive directly from customers, which is measured per 100,000 customers to normalise for volume; and the number of complaints referred to the Financial Ombudsman Service (FOS). Complaints per 100,000 customers for 2017 were 192, or 0.19% of our customers, which remains very low. In 2017, 30 complaints were made to the FOS (0.001% of our customers). We remain focused on delivering fair outcomes for all customers and whilst noting the increase in referrals to FOS, these can be attributed to increased consumer awareness of the FOS service and does not reflect any detriment in the way in which the Company treats its customers. The majority of our FOS complaints are upheld in the Company's favour.

The increase in non-FOS complaints was a result of change in the reporting methodology. Previously only written complaints were included; however since January 2017, both verbal and written complaints are reported. The Company looks to provide a high quality service to remove the need for a customer to complain.

Future Outlook

I would like to thank all our colleagues who have contributed to making us the market leader that we are today, and for serving our intermediaries and customers. Our success and continued future growth is dependent on the commitment of our employees and our ability to develop outstanding products and services for our customers. 2017 has been a year of significant change, but we can look ahead with confidence, knowing that we can build on this year's investments and innovations. We are also focused on making Premium Credit a great place to work. This has included moving to our new Leatherhead head office and conducting regular colleague surveys, which are driving our People plan.

In 2018, we look forward to consolidating these changes and making progress towards our strategic aims. We remain confident that our strategy and our proven business model will continue to provide long term and sustainable value for our customers, employees, shareholders and intermediaries. We will pursue continued growth in our core markets, expanded relationships with new intermediaries and seek to exploit opportunities within adjacent, high value segments.

On behalf of the board

Thomas Woolgrove

Director

24 April 2018

B: REPORT OF THE DIRECTORS

The Directors present their report and audited financial statements of the Company for the year ended 31 December 2017.

Principal activities

The principal activity of the Company is the financing and processing of insurance premiums and instalment services in the UK and Ireland. The Company is incorporated in England & Wales.

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

Directors

The Directors, who were in office during the year and up to the date of signing the financial statements, unless otherwise stated, were:

Directors of Premium Credit Limited

Name	Title
Colin Keogh	Chairman
Thomas Woolgrove	Director
John Reeve	Director
Peter Catterall	Director
Maxim Crewe	Director
Anthony Santospirito	Director
Chris Burke	Director
David Young	Director
Nayan Kisnadwala	Director

Directors' indemnity and liability insurance

As permitted by the Articles of Association, the Directors have the benefit of an indemnity, which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently still in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Results

The results for the year are set out in the financial review on page 12

Dividends

The Directors paid dividends of £59.2 million during 2017, £24.2 million on 2 August 2017 and £35.0 million on 21 December 2017 (2016: £31.0 million).

Financial Risk Management

The principal risks, to which the Company is exposed, and mitigations are detailed in the strategic report on page 5.

Employee Activities

The Company recognises that its future success, as in the past, will depend on the loyalty and performance of its employees. The leadership team are committed to creating a culture in which employees are accountable for their work, but enjoy the freedom to perform to the best of their abilities. The company is committed to listening to and acting upon feedback from its employees.

Key people initiatives from 2017 include:

- Having completed the first year in new premises, colleagues have experienced many benefits, including enhanced cross functional engagement amongst our team of more than 400 colleagues.
- A Colleague Opinion survey was conducted in January 2017, followed by a Pulse Survey in October 2017 which revisited approximately 50% of the full survey. The Company showed improvement in the scores on 94% of the questions. Employee engagement and employee empowerment both improved overall.
- The main focus of investment in training and development has been on leadership and management programmes. Sixty managers will complete the programme by June 2018. Mandatory training has also been refreshed and a quarterly programme has been introduced including group sessions and e-learning. An apprenticeship scheme has also been launched and there are apprentices completing digital and business intelligence qualifications.
- A review of employee benefits resulted in a number of changes to make these more competitive. Development of the flexible benefits portal has increased visibility and choice for colleagues. Benefits events have been held to market the value of various plans.

The Company seeks to operate as a responsible employer, whose corporate values promote standards designed to help employees conduct their business relationships. It is the Company's policy to conduct business in an honest, open and ethical manner, and we have adopted policies governing equal opportunities and diversity, and health and safety. The Company categorically condemns all instances of bribery and corruption, harassment, bullying and discrimination.

The Company is committed to employment policies which follow best practice on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the 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.

Composition of the workforce

We have over 400 employees working in the UK and Ireland. We employ individuals with diverse backgrounds. The table below shows our gender diversity at year-end:

	2017		2016	
	Men	**Women**	Men	Women
The Board	**100%**	**-**	100%	-
Senior Management	**82%**	**18%**	83%	17%
Other Employees	**52%**	**48%**	50%	50%
Total	**54%**	**46%**	53%	47%

Equality and diversity

The Company is committed to promoting equality. 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. The HR policies have been reworked and relaunched during 2017 including a new Dignity at Work policy. Colleagues will be invited to attend training on Diversity and Inclusion and Unconscious bias during 2018.

In March 2018, the Group published its first set of gender pay gap data. The table below shows our overall mean and median gender pay gap based on hourly rates of pay as at the snapshot date (5 April 2017). It also captures the mean and median difference between bonuses paid to men and women at the Group in the year up to 5 April 2017, i.e for the 2016 performance year (bonuses are normally paid in February).

	Difference between men and women	**Difference between men and women**
	Mean	Median
Hourly rate (this is a prescribed calculation based on fixed pay)	50%	45.5%
Bonus amount	75%	72%

Note: The calculation behind the gender pay gap is not the same as equal pay.

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 our 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.

We pay equal pay for equal work and therefore addressing our gender pay gap is about increasing the proportion of women in more highly paid roles.
During 2018, the key actions that the Group is taking to improve diversity and inclusion are:

- Listen to colleagues, through our Colleague Opinion and Pulse surveys, to improve our practices and policies to improve inclusion. In 2017, we updated our Family Leave and Dignity at Work policies, and improved many of our benefits, including maternity pay.
- Have one member of our senior executive team specifically sponsor diversity and inclusion.
- Include diversity in the content of our Management Programme.
- Roll out training about Dignity at Work, Inclusion and Unconscious Bias to all colleagues.
- Expect a diversified recruitment shortlist for all management positions, meaning appropriate representation of male and female candidates being put forward for interviews.
- Wherever possible, we will support colleagues to balance commitments outside of work with working at the Company.

Human Rights

The Company respects human rights as defined under the European Convention on Human Rights.

The Group published its first statement on Modern Slavery during 2017 in accordance with the requirements of the Modern Slavery Act 2015.

Health and safety policy

The Company's health and safety policy is designed to maintain a healthy and safe working environment, and to ensure the health, safety and welfare of all its employees and the general public. There were no significant incidents in the workplace during 2017.

Employee relations

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

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

The Company has in place competitive reward and benefit programmes, appropriate training and personal development programmes, and ways to encourage and recognise outstanding performance. The Company embraces continuous development of high performance teams and provides schemes to enable all staff to participate directly in the success of the Company.

Internal communications have been enhanced providing more detailed information and understanding for staff on the progress and development of the Company. Staff engagement has been increased through the establishment of staff social committees, run by the staff for the staff.

The Company has an established whistleblowing policy which enables employees to speak out when appropriate, and which ensures that no employee making such disclosure will suffer any consequent disadvantage. Training on whistleblowing has been delivered to all colleagues during 2017.There were no whistleblowing incidents during the year 2017.

Donations

During the year the Company donated £9,229 (2016: £9,524) to charitable causes.

Post balance sheet events

There were no post balance sheet events.

There were no post balance sheet events.

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

In the case of each director in office at the date the Directors' Report is approved:

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

Approved by the Board on 24 April 2018 and signed on its behalf by:

On behalf of the board

Thomas Woolgrove

Director

C: FINANCIAL STATEMENTS

C1: Independent auditors' report to the members of Premium Credit Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the income statement, the statement of comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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 set out on page 17 and 18, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

We have no exceptions to report arising from this responsibility.

Matthew Falconer

Matthew Falconer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 April 2018

C2: INCOME STATEMENT

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Interest income		**119,133**	120,098
Interest expense		**(17,467)**	(20,403)
Net interest income	6	**101,666**	99,695
Fee and commission income	7	**16,188**	18,725
Fee and commission expense	8	**(3,787)**	(6,070)
Total income		**114,067**	112,350
Administrative expenses	9	**(65,782)**	(51,968)
Operating profit		**48,285**	60,382
Finance income	11	**80**	57
Profit before tax		**48,365**	60,439
Income tax expense	12	**(4,419)**	(2,861)
Profit for the financial year		**43,946**	57,578

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

Results relate to continuing operations.

C3: STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	£'000	£'000
Profit for the financial year	**43,946**	57,578
Other comprehensive income	-	-
Items that may subsequently be reclassified to the income statement:		
Foreign currency translation gains	**730**	2,087
Other comprehensive income for the year	**730**	2,087
Total comprehensive income for the year	**44,676**	59,665

C4: BALANCE SHEET

As at 31 December 2017

	Notes	31 Dec 2017 £'000	31 Dec 2016 £'000
Assets			
Non-current assets			
Intangible assets	13	**11,661**	9,834
Property, plant and equipment	14	**4,467**	6,188
Loans and advances to customers	15	**3,087**	3,319
Prepayments and other receivables	16	**10,853**	11,619
Deferred tax assets	17	**236**	471
Total non-current assets		**30,304**	31,431
Current assets			
Loans and advances to customers	15	**1,417,609**	1,496,840
Prepayments and other receivables	16	**55,927**	40,441
Corporation tax receivable		**1,579**	-
Cash and cash equivalents	18	**27,946**	29,084
Total current assets		**1,503,061**	1,566,365
Total assets		**1,533,365**	1,597,796
Liabilities			
Current liabilities			
Trade and other payables	19	**1,351,003**	1,400,534
Corpotation tax payable		**-**	426
Total current liabilities		**1,351,003**	1,400,960
Total liabilities		**1,351,003**	1,400,960
Equity			
Called up share capital	20	**10**	10
Retained earnings		**181,108**	196,312
Other reserves		**1,244**	514
Total shareholders' equity		**182,362**	196,836
Total equity & liabilities		**1,533,365**	1,597,796

The financial statements pages 21 to 45 were approved by the Board of Directors on 24 April 2018 and signed on its behalf by:

Thomas Woolgrove
Director

C5: STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

£'000	Notes	Called up Share Capital	Retained Earnings	Other Reserves	Total Equity
A 1 January 2016		**10**	**169,734**	**(1,573)**	**168,171**
Profit for the financial year		-	57,578	-	57,578
Foreign currency translation gains		-	-	2,087	2,087
Total comprehensive income for the year		-	57,578	2,087	59,665
Transactions with owners:					
Dividends paid	21	-	(31,000)	-	(31,000)
At 31 December 2016 and 1 January 2017		**10**	**196,312**	**514**	**196,836**
Profit for the financial year		-	43,946	-	43,946
Foreign currency translation gains		-	-	730	730
Total comprehensive income for the year		-	43,946	730	44,676
Transactions with owners:					
Dividends paid	21	-	(59,150)	-	(59,150)
At 31 December 2017		**10**	**181,108**	**1,244**	**182,362**

C6: NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Premium Credit Limited ('the Company') is a private limited company, limited by shares, that finances insurance premiums and facilitates instalment services in the UK and Ireland. The company is incorporated and domiciled in England and Wales.

2. ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of Premium Credit Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006, as applicable to companies using FRS101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

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

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

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment.
- The requirements of IFRS 7 Financial Instruments: Disclosures.
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement.
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1;
  - Paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - Paragraph 118(e) of IAS 38 Intangible Assets;
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements.
- The requirements of IAS 7 Statement of Cash Flows.
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- The requirements of paragraphs 17 of IAS 24 Related Party Disclosures.

- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a Company.

- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the Company in which the entity is consolidated.

(b) Going concern

The directors have assessed the company's cash flow forecasts and considered the ability of the entity to operate as a going concern for a period of at least 12 months from the date of approval of the financial statements, based on the conclusions drawn with respect to financial, interest rate, credit, liquidity, foreign exchange, regulatory and compliance, and operational risks, as outlined in the strategic report. As such, these financial statements have been prepared on the going concern basis.

(c) Net interest income recognition

Interest income and expense for all financial instruments measured at amortised cost are recognised using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of recognising the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. 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. All contractual and behavioural terms of a financial instrument are considered when estimating future cash flows.

(d) Fee and commission income recognition

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

(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.

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

1. Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and

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

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

(g) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks.

(h) Financial instruments

The company classifies a financial instrument that it issues as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the company after the deduction of liabilities.

Financial liabilities

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

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss (FVTPL), loans and receivables. Management determines the classification of its financial instruments at initial recognition. Purchases and sales of financial assets are recognised on the trade date – the date on which the company commits to purchase or sell the asset. Financial assets at FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets held at FVTPL are recognised at fair value with any gains or losses included in the income statement in the period in which they arise. Transaction costs are expensed at the time of initial recognition. Derivative financial assets are classified as held for trading unless they are accounted for as an effective hedging instrument; such instruments are not separately categorised in the balance sheet.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition at fair value plus transaction costs, these assets are carried at amortised cost using the effective interest method, less any impairment.

(i) Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have expired or where substantially all of the risks and rewards of ownership have been transferred and the transfer qualifies for derecognition. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished. In line with IAS 39, an exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Qualitative and quantitative factors are considered in determination of substantially different terms.

Collateral furnished by the Company under securitisation is not derecognised because the company retains substantially all the risks and rewards on the basis of the predetermined repurchase price; therefore, the criteria for derecognition are not met.

(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 financial assets

The company assesses at each reporting date whether there is any objective evidence that a financial asset or Company of financial assets is impaired. A financial asset or portfolio of financial assets is impaired, and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on a financial asset or Company of financial assets classified as loans and receivables has been incurred, the company measures the amount of the loss as the difference between the carrying amount of the asset or Company of assets and the present value of estimated future cash flows from the asset or Company of assets discounted at the effective interest rate of the instrument(s) at initial recognition. Impairment losses are assessed individually for financial assets that are significant and collectively for assets that are not individually significant. In making the collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics. Future cash flows from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted, on the basis of currently observable data, to reflect the effects of current conditions.

Impairment losses are recognised in the income statement and the carrying amount of the financial asset or Company of financial assets is reduced by establishing an allowance for impairment losses. If in a subsequent year the amount of the impairment loss reduces, and the reduction can be related objectively to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. Once an impairment loss has been recognised on a financial asset or Company of financial assets, interest income is recognised on the carrying amount using the rate of interest at which estimated future cash flows were discounted in measuring impairment.

When a loan is deemed uncollectible it is written off against the related provision for loan impairment after all of the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off and that are received from customers or other third parties are recognised directly in the income statement as a reduction in the loan impairment charge for the period.

(l) Impairment of non-financial assets

Non-financial assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. In the event that an asset's carrying amount is determined to be greater than its recoverable amount it is written down immediately. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date with the exception of goodwill.

(m) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. All other repairs and maintenance costs are charged to the income statement in the period in which they are incurred.

Depreciation is charged to the income statement on a straight-line basis so as to allocate the costs less residual value over their estimated useful lives. 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. Estimated useful lives for property, plant and equipment are:

Vehicles and equipment	3 to 10 years
Leasehold improvements	15 to 20 years
Leasehold offices	15 to 20 years

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

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

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Operating Leases

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

(n) Intangible assets

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

Assets under construction (Internally generated intangible assets)

Research costs are expensed as incurred. Expenditure incurred on the development of software is capitalised only if the following criteria are met:

- Technical feasibility has been demonstrated;
- The intention to complete development project is demonstrable (e.g. allocated budgets and resources, BOD 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; and
- The development cost of the asset can be measured reliably.

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

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

Following the initial recognition of impairment expenditure, the cost is amortised over the estimated useful lives of the assets created. Amortisation commences on the date that the asset is brought into use. As assets categorised as Assets under construction/Work in progress are brought into use the assets are transferred to the appropriate classification within intangible assets. The estimated useful lives are as follows:

Capitalised development costs/software	3 to 5 years

(o) Employee benefits

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

(p) Provisions for liabilities and charges and contingent liabilities

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

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

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

(q) Share capital

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

(r) Dividends

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

(s) Investments

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

(t) Pension Costs

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

3. NEW STANDARDS, AMENDMENTS AND IFRIC INTERPRETATIONS

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2017 have had a material impact on the company.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The Company's principal accounting policies are set out above. United Kingdom company law and FRS 101 require the Directors, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. Where accounting standards are not specific and management have to choose a policy, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' requires them to adopt policies that will result in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the Company's accounting policies that are considered to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Company would affect its reported results.

(a) Loan impairment provisions

The Company's loan impairment provisions are established to recognise incurred impairment losses in its portfolio of customer loans classified as loans and receivables and carried at amortised cost. A loan is impaired when there is objective evidence that events since the loan was granted have affected expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate.

The Company's loan impairment provisions are established on a portfolio basis taking into account the level of arrears, past loss experience and defaults based on portfolio trends. The most significant factor in establishing these provisions are the expected loss rates. These portfolios include receivables and other personal advances.

The future credit quality of these portfolios is subject to uncertainties that could cause actual credit losses to differ materially from reported loan impairment provisions. These uncertainties include the economic environment, notably interest rates and their effect on customer spending, unemployment levels, payment behaviour and bankruptcy trends.

(b) Effective interest rate

In calculating the effective interest rate of a financial instrument, the Company takes into account all amounts that are integral to the yield. In the case of loans and advances to customers, judgement is applied in estimating future cash flows. Judgement is also required in estimating the expected average life of customer debt balances. A change in the estimate of any of the key variables in this calculation could have the potential to significantly impact income recognised in the income statement.

(c) Development costs

The Company has capitalised internally generated intangible assets as required in accordance with IAS 38. Management has assessed expected contribution to be generated from these assets and deemed an impairment adjustment of £nil (2016: £0.9 million) is required to the carrying value of the assets. Management consider it probable 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 and judgements.

(d) Impairment of assets

FRS 101 requires management to undertake an annual test for impairment test for assets with finite lives, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the fair value less costs to sell or net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions have been made in respect of highly uncertain matters including management's expectations of growth and discount rates. Changing the assumptions selected by management could significantly affect the company's impairment evaluation and hence results. The company's review includes the key assumptions related to sensitivity in the cash flow projections.

(e) Fair values estimation for financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Short term receivables and payables, deemed to be one year or less, are measured at original invoice amount.

(f) Other provisions

The nature and complexity of the Groups 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.

5. SEGMENTAL REPORTING

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

6. NET INTEREST INCOME

	2017 £'000	2016 £'000
Interest receivable on:		
Interest income on loans and advances to customers	119,133	120,098
Interest income	**119,133**	120,098
Interest payable on:		
Amounts owed to related party	(17,467)	(20,403)
Interest expense	**(17,467)**	(20,403)
Net interest income	**101,666**	99,695

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

7. FEE AND COMMISSION INCOME

	2017 £'000	2016 £'000
Servicing and administration fees	16,188	18,725
Fee and commission income	**16,188**	18,725

The costs associated with Servicing and administration fees income are primarily included in administrative expenses. See note 9 on page 34 for an analysis of the Company's administrative expenses.

8. FEE AND COMMISSION EXPENSE

	2017 £'000	2016 £'000
Fees and commission expense	3,787	6,070
Fee and commission expense	**3,787**	6,070

9. OPERATING PROFIT

Administrative Expenses

	2017 £'000	2016 £'000
Staff costs:		
Wages and salaries	**22,021**	22,177
Social security costs	**2,704**	2,697
Other pension costs	**1,256**	1,164
Total staff costs	**25,981**	26,038
Non-staff costs:		
Other administration costs	**19,689**	18,819
IT related expenditure	**10,953**	3,256
Foreign currency gain	**(2,563)**	(6,232)
Depreciation and amortisation	**6,142**	3,429
Impairment of loans and advances to customers	**5,580**	6,658
Total non-staff costs	**39,801**	25,930
Total administrative expenses	**65,782**	51,968

Operating profit is stated after charging:

	2017 £'000	2016 £'000
Operating lease rentals	**922**	500
Depreciation charge on tangible fixed assets	**2,233**	1,837
Amortisation charge on intangible fixed assets	**3,909**	1,592
Impairment of loans and advances to customers	**5,580**	6,658
IT related expenditure	**10,953**	3,256
Loss on disposal of assets	**40**	14
Impairment of intangible assets	**-**	877

Auditors' remuneration

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

Audit remuneration	2017 £'000	2016 £'000
Auditors' remuneration	**250**	234
Audit related services	**25**	-
Other	**22**	71
Total auditors' remuneration	**297**	305

The above fees for audit services are borne by PCL and include all Pomegranate Topco Limited consolidated entities.

Employees

During 2017, the Company employed all of the personnel (including directors) of the Company. The average monthly number of employees (including executive directors) employed by the Company during the year was 417 (2016: 408). All employees are engaged in the financing of insurance premiums and instalment services and are split into the following functions:

	2017 Number	2016 Number
Operations	**172**	177
General and administration	**168**	160
Sales and marketing	**77**	71
Average monthly number of employees	**417**	408

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

No retirement benefits are accruing to directors (2016: £nil) under the Company's defined contribution pension scheme.

10. DIRECTORS' EMOLUMENTS

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

	2017 £'000	2016 £'000
Aggregate emoluments	**1,595**	1,774
Total emoluments	**1,595**	1,774

The total emoluments of the highest paid Director were £0.7 million (2016: £0.7 million)

11. FINANCE INCOME

	2017 £'000	2016 £'000
Amounts owed by related party	**80**	57
Financing income	**80**	57

12. INCOME TAX EXPENSE

Income tax expense

	2017 £'000	2016 £'000
Current tax expense - current year	2,385	2,820
Current tax expense/(credit) - prior year	1,038	(542)
Total current tax	**3,423**	**2,278**
Deferred tax expense/(credit) - current year	(276)	(53)
Deferred tax expense/(credit) - prior year	511	5
Total deferred tax	**235**	**(48)**
Foreign tax	761	631
Total foreign tax	**761**	**631**
Total tax expense	**4,419**	**2,861**

The standard rate of corporation tax in the United Kingdom reduced to 20% on 1 April 2015 and, through the enactment of the Finance (No. 2) Act 2015 on 18 November 2015, this has further reduced to 19% from 1 April 2017. Further, the Finance Act 2016, which was enacted on 15 September 2016, reduces the standard rate of corporation tax to 17% from 1 April 2020. The company's profits for this accounting period are taxed at the applicable rate of 19.25% (2016: 20%).

The tax assessed for the year is lower (2016: lower) than the rate of UK Corporation Tax of 19.25% (2016: 20%). The difference is explained below:

	2017 £'000	2016 £'000
Profit before taxation	48,365	60,439
Profit on ordinary activities multiplied by tax rate in the UK of 19.25% (2016: 20%)	9,310	12,088
Factors affecting expense for the year:		
Tax exempt income	(88)	-
Expenses not deductible for tax purposes	209	96
Adjustment to prior years – current tax	1,038	(542)
Adjustment to prior years – deferred tax	511	5
Effects of rate change	33	37
Double tax relief	(666)	(983)
Overseas tax	761	631
Company relief	(6,689)	(8,386)
Other tax adjustments	-	(85)
Total tax expense	**4,419**	**2,861**

13. INTANGIBLE ASSETS

	Assets under construction £'000	Software £'000	Total £'000
Net carrying value at 31 December 2016	**6,111**	**3,723**	**9,834**
Cost			
At 1 January 2017	**6,111**	**6,316**	**12,427**
Additions	1,461	3,403	4,864
Transfers	(6,091)	8,698	2,607
Disposal	-	(1,359)	(1,359)
At 31 December 2017	**1,481**	**17,058**	**18,539**
Accumulated amortisation			
At 1 January 2017	-	**2,593**	**2,593**
Charge for the year	-	3,909	3,909
Transfers	-	1,735	1,735
Disposal	-	(1,359)	(1,359)
At 31 December 2017	-	**6,878**	**6,878**
Net carrying value at 31 December 2017	**1,481**	**10,180**	**11,661**

Assets under construction relate to internally developed software. The Directors have reviewed the assets for impairment and identified £nil million of assets which are impaired (2016: £0.9 million).

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Vehicles and equipment £'000	Total £'000
Net carrying value at 31 December 2016	**2,717**	**3,471**	**6,188**
Cost			
At 1 January 2017	**2,726**	**12,911**	**15,637**
Additions	146	1,312	1,458
Transfers	-	(2,607)	(2,607)
Disposals	-	(6,678)	(6,678)
At 31 December 2017	**2,872**	**4,938**	**7,810**
Accumulated depreciation			
At 1 January 2017	**9**	**9,440**	**9,449**
Charge for the year	270	1,963	2,233
Transfers	-	(1,735)	(1,735)
Disposals	-	(6,604)	(6,604)
At 31 December 2017	**279**	**3,064**	**3,343**
Net carrying value at 31 December 2017	**2,593**	**1,874**	**4,467**

15. LOANS AND ADVANCES TO CUSTOMERS

	31 Dec 2017 £'000	31 Dec 2016 £'000
Gross loans and advances to customers	**1,425,177**	1,505,996
Less: allowance for impairment	**(4,481)**	(5,837)
Net loans and advances to customers	**1,420,696**	1,500,159
Split as:		
Current	**1,417,609**	1,496,840
Non-current	**3,087**	3,319

At 31 December 2017, £1,045.0 million (2016: £1,127.0 million) of the loan and advances to customers had its beneficial interest assigned to SPV entities as a collateral for securitisation transactions.

The following table shows impairment provisions for loans and advances:

	2017 £'000	2016 £'000
At 1 January	**5,837**	3,840
Foreign exchange impact	**14**	35
Reclassification of provision	-	215
(Decrease)/increase in allowance, net of recoveries, charged to income statement	**(1,370)**	1,747
At 31 December	**4,481**	5,837

16. PREPAYMENTS AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
Amounts due from Group undertakings	**55,965**	42,290
Other receivable	-	973
Prepayments and accrued income	**10,815**	8,797
Prepayments and other receivables	**66,780**	52,060
Split as:		
Current	**55,927**	40,441
Non-current	**10,853**	11,619

Amounts owed by Group undertakings are unsecured. A loan of £7.6 million (2016: £7.6 million) was made to Vendcrown Limited which is repayable in October 2022 and earns interest at 1% of £0.4 million (2016: £0.3 million). The remaining balance of £48.4 million (2016: £34.7 million) relates principally to expenses paid by PCL on behalf of related parties and is interest free and repayable on demand.

Prepayments and accrued income of £10.8 million (2016: £11.6 million) include £3.8 million (2016: £4.9 million) of fees relating to the Master Trust which are amortised over 5 years and £0.4 million of fees relating to undrawn facilities.

17. DEFERRED TAX (LIABILITY)/ASSET

Deferred tax included in the balance sheet is as follows:

	2017 £'000	2016 £'000
Deferred tax asset as at 1 January	**471**	**423**
Deferred tax charge/(credit) for the year attributable to:		
Deferred tax charge in respect of current year	**309**	90
Adjustments in respect of prior period	**(511)**	(5)
Effect of rate change	**(33)**	(37)
Deferred tax (liability)/asset as at 31 December	**236**	**471**

18. CASH AND CASH EQUIVALENTS

	31 Dec 2017 £'000	31 Dec 2016 £'000
Bank balances	**27,946**	29,084
Cash and cash equivalents	**27,946**	29,084

19. TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Trade payables	**408,047**	411,881
Amounts owed to Group undertakings	**927,948**	969,050
Accruals and deferred income	**13,896**	18,626
Other creditors	**173**	240
Corporation tax payable	-	426
Social security and other taxes	**939**	737
Total trade and other payables	**1,351,003**	1,400,960

Amounts owed to Group undertakings of £927.9 million (2016: £969.1 million) consists of £944.8 million owed to PCL Asset Trustee Limited offset by £12.5 million due from other SPV entities to the Company. The securitisation facility set up fees of £5.5 million (2016: £1.5 million) are offset against the securitisation loan and amortised over the facility period. Intercompany balance of £1.1 million (2016: £1.3 million) was owed to Pomegranate Acquisitions Limited, which is interest free and repayable on demand. Intercompany balances with the SPV entities arise on securitisation transactions, including the issue of securitisation notes and public ABS notes. Securitisation notes are a source of variable rate funding provided to the company through the sterling denominated Variable Note Issuance Programme in the SPV. Notes are issued or redeemed in proportion to the increase or decrease in the portfolio of loans and advances to customers.

20. CALLED UP SHARE CAPITAL

	2017 £'000	2016 £'000
Allotted and fully paid		
10,000 (2016: 10,000) ordinary shares of £1 each	10	10
10,000 ordinary shares (2016: 10,000) of USD 0.01 each	-	-
Called up share capital	10	10

On incorporation the company issued warrants of 10,000 ordinary shares of USD 0.01 each. The warrants were held by the registered shareholders of the ordinary shares of £1 each. These were surrendered in January 2016 and exchanged for 10,000 ordinary shares of USD 0.01 each.

21. DIVIDENDS

On Ordinary shares	**2017 £'000**	2016 £'000
Declared and paid: £5,915 per £1 share (2016: £3,100.00 per £1 share)	**59,150**	31,000
Dividends paid	**59,150**	31,000

22. INVESTMENT IN COMPANY UNDERTAKINGS

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

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

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

23. CONTINGENT LIABILITIES AND COMMITMENTS

a) Capital Commitments

Capital expenditure authorised and contracted for but not provided in the financial statements amounts to £1.0 million (2016: £nil).

b) Lease commitments

The Company has outstanding commitments for future minimum lease payments under non-cancellable leases. The leases have varying terms, escalation clauses and renewal rights, and fall due as follows:

	Land & Buildings		Other	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
No later than one year	**584**	11	**145**	173
Later than one year and no later than five years	**3,813**	3,305	**146**	65
Over five years	**3,627**	4,594	-	-
Operating lease commitments	**8,024**	7,910	**291**	238

24. FINANCIAL INSTRUMENTS

The following tables analyse the financial assets and financial liabilities in accordance with the categories of financial instruments in IAS39.

a) Classification of financial instruments by IAS39 category

At 31 December 2017	**Loans and receivables £'000**	**Other financial instruments at amortised cost £'000**	**Total £'000**
Assets			
Cash and cash equivalents	27,946	-	27,946
Loans and advances to customers	1,420,696	-	1,420,696
Other receivables	55,965	-	55,965
Total financial assets	**1,504,607**	**-**	**1,504,607**
Liabilities			
Trade and other payables	-	1,351,003	1,351,003
Total financial liabilities	**-**	**1,351,003**	**1,351,003**

At 31 December 2016	Loans and receivables £'000	Other financial instruments at amortised cost £'000	Total £'000
Assets			
Cash and cash equivalents	29,084	-	29,084
Loans and advances to customers	1,500,159	-	1,500,159
Other receivables	43,263	-	43,263
Total financial assets	1,572,506	-	1,572,506
Liabilities			
Trade and other payables	-	1,400,534	1,400,534
Total financial liabilities	-	1,400,534	1,400,534

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.

At 31 December 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Loans and advances to customers	-	1,420,696	-	1,420,696
Other receivables	-	55,965	-	55,965
Total financial assets	-	**1,476,661**	-	**1,476,661**
Liabilities				
Trade and other payables	-	1,351,003	-	1,351,003
Total financial liabilities	-	**1,351,003**	-	**1,351,003**

At 31 December 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Loans and advances to customers	-	1,500,159	-	1,500,159
Other receivables	-	43,263	-	43,263
Total financial assets	-	**1,543,422**	-	**1,543,422**
Liabilities				
Trade and other payables		1,400,534		1,400,534
Total financial liabilities	-	**1,400,534**	-	**1,400,534**

There are three levels to the hierarchy as follows:

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

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

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

25. CAPITAL RESOURCES

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

The Company's objectives in managing capital are:

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

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

	2017 **£'000**	**2016** **£'000**
Profit for the financial year	**43,946**	57,578
Divided by:		
Opening equity	**196,836**	168,171
Closing equity	**182,362**	196,836
Average equity	**189,599**	182,504
Return on equity	**23.2%**	31.5%

Return on equity is defined by the Company as profit after tax divided by the average of the opening and closing equity positions.

The debt and equity amounts for the Company at 31 December 2017 and 31 December 2016 were as follows:

	Note	2017 £'000	2016 £'000
Debt			
Amounts owed to Company undertakings	19	**927,948**	969,050
Less: cash	18	**(27,946)**	(29,084)
Net debt		**900,002**	939,966
Equity			
Equity		**182,362**	196,836
Total net debt plus equity		**1,082,364**	1,136,802

26. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with wholly owned companies.

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

Trading transactions

During the year, the Company entered into the following transactions with the related parties:

	Interest paid	Interest paid	Service fees	Service fees	Travel expenses	Travel expenses
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Cinven	-	-	**360**	360	**6**	5

27. PENSION COMMITMENTS

Contributions to the defined contribution pension scheme during the year were £1.3 million (2016: £1.2 million). At year-end, there were no outstanding or prepaid contributions (2016: £nil).

28. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Vendcrown Limited.

The ultimate parent undertaking at 31 December 2017 is Pomegranate Topco Limited, a company incorporated in Jersey. The consolidated financial statements of Pomegranate Topco Limited are available from Aztec Financial Services (Jersey) Limited, 11-15 Seaton Place, St Helier, Jersey, JE4 0QH.

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

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

29. POST BALANCE SHEET EVENTS

There were no post balance sheet events.

D: CORPORATE INFORMATION

Directors	Chris Burke Peter Catterall Maxim Crewe Colin Keogh Nayan Kisnadwala John Reeve Anthony Santospirito Thomas Woolgrove David Young
Company Secretary	Charleen Cutler
Registered Office	Ermyn House Ermyn Way Leatherhead KT22 8UX England
Website	www.premiumcredit.co.uk
Company number	2015200
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