

PRA Group (UK) Limited

Annual report and financial statements

Registered number 04267803

31 December 2021

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Company information

Directors

R O James
P M Sjolund
S E Daws
T D Kirk

Secretary

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Bromley
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Auditor

Grant Thornton
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Strategic Report

The Directors present their strategic report for the year ended 31 December 2021.

Principal activities and review of the business

The principal activity of PRA Group (UK) Limited (the company) is the acquisition and servicing of consumer debt portfolios. The company is a wholly owned subsidiary of PRA Group Inc., a company incorporated in USA (listed on Nasdaq), which the directors consider to be the ultimate parent and controlling party.

The principal key performance indicator on which the Directors monitor the progress of the business is the level of income generated by portfolios. Portfolio income increased by approximately £21,181,000 (from 94,285,000 in 2020). This increase is comprised of higher income from purchased loans of approximately £23,269,000 (£107,009,000 in 2020) and increase in impairment losses of approximately £2,088,000 (£12,724,000 in 2020). This increase in portfolio income partially explains the increase in realised profit on ordinary activities before taxation, of approximately £7,437,000 in 2021 compared to loss of £11,493,000 in 2020.

Future developments

The Directors have a continuous focus on improving processes, enhancing efficiency and synergies, and improving collections in a fully compliant manner across the business. The aim is to find the optimal balance for operating within the current economic climate.

Treasury policies and foreign currency risk

The company does not have a formal treasury team; however leverages the experience of Global treasury team based in London and there is a defined financial risk policy within the PRA Group Inc.

The company finances its activities through cash and loan available from group undertakings. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities.

The company does not enter into interest rate swaps or forward currency contracts. The company does not trade in derivative financial instruments.

The company is not materially exposed to foreign currency and has limited relationships with companies that trade in currencies denominated other than pounds sterling.

Interest rate risk

The company does not have any external debt. Borrowings from group undertakings bear interest, which is calculated based on a floating base interest rate linked to SONIA plus country specific risk premiums. Consequently, increases in the SONIA rate may impact the company's ability to service its debt obligations. The company manages its interest rate risk by creating a cash collections and profitability forecast for each portfolio acquired, as part of portfolio pricing.

Credit risk

Credit risk is the risk that a customer or counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company's principal activity is the acquisition and management of underperforming consumer loan portfolios; therefore, the Company is exposed to significant credit risk. All portfolios by their nature are impaired on acquisition and the

Strategic Report *(continued)*

company continually monitors cash collections. The carrying values are impaired where the underlying performance does not meet expectations. A pricing review process is in place which includes key members from all areas of the business. The company also assesses consumer repayment affordability through income and expenditure assessments, leading to sustainable repayment plans.

Liquidity risk

The company mitigates liquidity risk by applying cash collection targets, tracking against those targets and setting authorisation limits for investment to ensure sufficient funding to meet our business needs and financial obligations.

The company's funding strategy is to not rely on external finance, but to utilise group funding.

Legislative risk

The services and products that PRA Group (UK) Limited offers in its respective geographical markets are subject to strict local laws and regulations, including requirements for lending, ownership and debt collection licences, as well as legislation concerning personal data protection. Any legislative changes concerning consumer credit may affect the company's earnings, market position and range of products and services. To promote compliance with applicable laws and regulations, the company provides extensive training upon hire and additional training at least annually. The company also continuously monitors and evaluates our collectors in order to provide meaningful and prompt feedback. Related controls that are embedded in business processes are also tested regularly by the compliance and internal audit departments who report to the UK Board of Directors and various Risk and Compliance Committees to foster compliance with laws, regulations and internal policy.

Competitive risk

The Core portfolio underwriting process includes both quantitative analytical modelling and qualitative judgment-based analysis that considers the effects of the origination, servicing, and collection history of the portfolios we price. We believe the combination of our deep sample of purchase data, our sophisticated analytical modelling, and the underwriting judgment gained from thousands of portfolios allows us to accurately price the associated risks. Furthermore, the advanced analytical techniques which we employ operationally enable us to better segment our customers, tailor our interactions with them using their preferred medium and offer solutions tailored to each individual's circumstances thus giving us a significant competitive advantage.

Cash flow risk

The Company's cash flows are exposed to a deterioration in the economic or inflationary environment which could have an adverse effect on collections and operational results. Deterioration in economic conditions, or a significant rise in inflation could cause personal bankruptcy and insolvency filings to increase, and the ability of consumers to pay their debts could be adversely affected. This may in turn adversely impact our business and financial results. We believe management's constant monitoring of key data and information, including (1) changes in laws, regulations and governmental actions, (2) trends in the macroeconomic environment, consumer behaviour and key operational metrics such as cash collections and (3) conditions in the nonperforming loan market help mitigate these risks. In addition the company assesses customer affordability via income and expenditure analysis which take account of inflationary pressures on customers and overall lead to sustainable repayment plans.

Strategic Report *(continued)*

Climate Change risk

The Board of Directors are aware of the risks associated with climate change, however do not feel that they pose a direct impact on the company or any of its lines of business. As the global effort to tackle climate change grows, the company is moving rapidly to take a leading role in contributing to the transition to a economy. The company has consolidated its existing office locations and secured new leases in state of the art premises in both London and Kilmarnock, Scotland in 2022 and has installed separate energy meters to accurately record energy consumption and carbon emissions information going forward as well as undertaking a number of initiatives such as measuring levels of recycling (including food waste), promoting a cycle to work low-carbon scheme to encourage environmentally friendly methods of travel and setting printer defaults to double-sided printing.

Future outlook

The company has not suffered any impact from Brexit to date and continues to operate as normal. Brexit could adversely impact the company depending on the terms negotiated by the UK and the EU concerning data sharing, taxes, financial services regulation and other matters that impact operations. However, the company continues to monitor changes in the regulatory environment however feels the impact of the withdrawal will not be material.

The continuing conflict in Ukraine is causing significant financial market volatility, rising inflation and social dislocation. Although the Company has no exposure to Russian or Ukrainian markets it is not possible to determine the ultimate effect of the crisis on the Company from general economic conditions, asset valuations and interest rate expectations. The extent of these impacts on the Company are unclear at this stage. The Board of Directors continue to monitor the effects on the investments and operations of the Company.

Section 172 Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the; likely consequences of any decisions in the long-term; interests of the Company's employees; need to foster the Company's business relationships with suppliers, customers and others; impact of the Company's operations on the community and environment; desirability of the Company maintaining a reputation for high standards of business conduct; and need to act fairly as between members of the Company.

The directors of PRA Group (UK) Limited are fully aware of their responsibilities to promote the success of the Company in accordance with section 172. In ensuring that the board of directors discharge their responsibilities under section 172 and consider the needs of all key stakeholder groups in its decision-making processes, the following activity is undertaken:

- Engagement with the local community throughout 2021 by making several charitable donations and continuing to offer employees paid leave to volunteer to local charities and environmental initiatives;
- Engagement with colleagues via annual employee surveys, inclusion and diversity training and mental health awareness sessions. The company also implemented health and safety measures throughout the COVID-19 pandemic to ensure safe working conditions for our employees;
- A robust corporate governance framework is in place to ensure that the Board's decision making is sufficiently informed by section 172 factors;
- Core conduct and customer satisfaction metrics are reviewed by the board to ensure that there is sufficient understanding of how the company is addressing customer needs. Throughout 2021, the company continued to offer payment holidays and breathing space for customers impacted by the

pandemic and inflationary pressures and tailors repayment arrangements based on customer affordability;

- Regular proactive engagement with the FCA, which has enabled them to assess the impact of COVID-19 on firms, their customer and operating arrangements; and
- Investor engagement via PRA Group Inc. Quarterly results reporting to communicate financial results and strategic priorities.

The board's aim is to make sure that its decisions are consistent, by considering PRA Group's strategic priorities and having a governance framework in place for key decision-making that takes into account relevant stakeholders.

On behalf of the board



P M Sjölund
Director

Date: 28 09 2022

Directors' Report

The Directors present their report and financial statements for the year ended 31 December 2021 prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006.

Directors

The Directors who served the company during the year and to the date of this report were as follows:

P M Sjolund
R O James
S E Daws
T D Kirk

Statement on Employees

PRA Group (UK) Ltd is an equal opportunity employer. For us, equal opportunity means engaging in employment practices that are objective while treating our most valuable asset - our employees - with fairness and impartiality. PRA Group (UK) Ltd is committed to ensuring that all prospective applicants for employment are treated in this manner throughout the recruitment process and all employees have the opportunity for advancement and development, regardless of race, colour, nationality or ethnic origin, gender, marital status, age, disability, religion or sexual orientation.

PRA Group (UK) Ltd believes in fostering an environment that is committed to high performance, acknowledges the value of diversity, and provides development opportunities when needed through proprietary training programs. PRA Group (UK) Ltd provides reasonable workplace adjustments for new entrants into the Company, as well as for existing employees who become disabled during their employment.

PRA Group (UK) Ltd has established clear standards of communication to provide information to our employees about important developments in the company, and to generate on an on-going basis an understanding of our vision, mission, values, strategy and business performance. Employees also have a mechanism to communicate their view and opinions about working for PRA Group via providing input and responding to an annual Employee Engagement survey.

In 2022, PRA Group (UK) Ltd refreshed and consolidated its existing office locations and secured new leases in state of the art premises in both London and Kilmarnock, Scotland.

Statement on other stakeholder engagement

Outside of employees, the Directors consider customers of PRA Group (UK) Ltd and communities as other key stakeholder groups.

As Debt Solution specialists, we work with our customers to help them resolve their debt in an affordable way that works with their budget. We are focused on doing business with a highly ethical code of conduct, and fair and respectful treatment of our customers. We have various communication lines with our customers and a streamlined complaints process, so that we can resolve any concerns on timely manner and ensure that customers are satisfied with the service that we have provided to them.

We collaborate with and help to fund the leading UK debt advice organisations, and are the official sponsor of the not-for-profit Money Advice Liaison Group's (MALG) 'Members Friday Forum' for 2022.

More recently, we signed up for The Inclusive Economy Partnership Debt Collection Code of Practice which is a Government led initiative for better and fairer debt collection processes.

Energy and carbon reporting

As a consequence of the company's energy costs and information being included in our management service

fees for our key premises in 2021, the company is unable to include complete carbon emissions reporting. However the company has consolidated its existing office locations and secured new leases in state of the art premises in both London and Kilmarnock, Scotland in 2022 and has installed separate energy meters to accurately record energy consumption and carbon emissions information going forward.

Political donations

The company did not make donations or contributions to any political party during the year.

Going concern

The company's forecasts and projections, taking account of reasonable possible changes in trading performance with stress testing scenarios including and excluding portfolio purchases, show a net profit in the forthcoming years and that the company will be able to continue to operate on the going concern basis within available facilities even in the unlikely event that no new portfolios are purchased. As a consequence, the directors believe that the company has adequate resources to continue in operational existence and is well placed to manage its financial position successfully for the period of at least twelve months from the date of the approval of the financial statements of the company and prepares these financial statements on a going concern basis. The Directors have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements ("the going concern period"). The Directors are neither aware of any changes to the structure of the business that would impact on the company nor any structural changes required to operate as a going concern. Additionally, there is no intention to terminate the operations of the company for a period of at least twelve months of the date of the approval of the financial statements of the company. In Q1 2021, PRA Group Europe Holding extended its loan facility in which the company participates to 19 May 2023 and provided a letter of support to the company stating its intention to provide adequate financial support as is necessary to ensure its continuing operation. The company regularly updates its forecasts submitted to its ultimate parent company, PRA Group Inc. which helps ensure sufficient funding to meet our business needs and financial obligations. The company's funding strategy is to not rely on external finance, but to utilize group funding. The company has not amended its funding structure post balance sheet date and does not consider any amendments necessary. The Global Treasury Department monitor all covenants relating to the facility agreement and there are currently no concerns relating to breaching any of them. The current drawn balance from the facility is \$628m out of a total \$1.35bn available.

Directors' Report *(continued)*

Statement on financial risk management and exposure to price risk, credit risk, liquidity risk, and cash flow risk

The Company is exposed to market risk, liquidity risk, credit risk and other price risk, as outlined in the Strategic Report.

Statements on principal activities and business objectives and activities

The principal activity of the company is the acquisition and servicing of consumer debt portfolios.

Developments in the Group's business during the year, and an indication of likely future developments, are outlined in the Strategic Report on pages 1 to 4 which form part of this Directors' Report.

Dividends

The Directors do not recommend the payment of a dividend.

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Post Balance sheet event

The company has amended its funding structure post balance sheet date. On April 1, 2022, it completed the refinancing of its European credit facilities. This refinancing includes a new \$800 million UK credit facility and an amended and resized \$750 million credit facility covering the rest of Europe, excluding the UK. The new UK facility includes a diverse group of both new and existing lenders that participate in both the North American and European credit facilities.

Other significant events after reporting period have been disclosed in note 24 to the financial statements.


Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Appointment of Auditor

Grant Thornton Chartered Accountants and Statutory Auditors was appointed as statutory auditor of the company in the year.

On behalf of the board



P M Sjölund
Director

Date: 28 09 2022

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of PRA Group (UK) Limited

Opinion

We have audited the financial statements of PRA Group (UK) Limited (the "Company"), which comprise the Profit and Loss Account, Balance Sheet and Statement of Changes in Equity for the financial year ended 31 December 2021, and the related notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is the applicable company law and the accounting standards issued by the Financial Reporting Council including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, PRA Group (UK) Limited's financial statements:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the assets, liabilities and financial position of the Company as at 31 December 2021 and of its financial performance for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the FRC's Ethical Standard and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the entity. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements were authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other matter

This is our first year of appointment as statutory auditors, in accordance with Section 485 of the Companies Act 2006. The financial statements for the previous year ended 31 December 2020 were audited by another statutory auditor, KPMG, who expressed an unqualified opinion on those statements on 24 September 2021.

Independent auditor's report to the members of PRA Group (UK) Limited

Other information

Other information comprises information included in the financial statements, other than the financial statements and our auditor's report thereon, including the Strategic Report, Directors' Report and Directors' responsibilities statement.

The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies in the financial statements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of management and those charged with governance for the financial statements

As explained more fully in the Directors' responsibilities statement, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102, and for such internal control as directors determine necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

Independent auditor's report to the members of PRA Group (UK) Limited

Responsibilities of management and those charged with governance for the financial statements (continued)

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the auditor for the audit of the financial statements

The objectives of an auditor 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 auditor's report that includes their 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 an auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatement in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with Financial Conduct Authority, Employment Law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates, in particular in relation to significant one-off or unusual transactions. We apply professional scepticism through the audit to consider potential deliberate omission or concealment of significant transactions, or incomplete/inaccurate disclosures in the financial statement.

Independent auditor's report to the members of PRA Group (UK) Limited

Responsibilities of the auditor for the audit of the financial statements (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

In response to these principal risks, our audit procedures included but were not limited to:

- enquiries of management, the board, internal audit, risk and internal legal counsel, on the policies and procedures in place regarding compliance with laws and regulations, including consideration of known or suspected instances of non-compliance and whether they have knowledge of any actual, suspected or alleged fraud;
- inspection of the company's regulatory and legal correspondence and review of minutes of directors' meetings during the year to corroborate inquiries made;
- gaining an understanding of the internal controls established to mitigate risk related to fraud;
- discussion amongst the engagement team in relation to the identified laws and regulations and regarding the risk of fraud, and remaining alert to any indications of non-compliance or opportunities for fraudulent manipulation of financial statements throughout the audit;
- identifying and testing journal entries to address the risk of inappropriate journals and management override of controls;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- challenging assumptions and judgements made by management in their significant accounting estimates, including on revenue recognition, impairment provisioning and provision for uncertain tax position; and
- review of the financial statement disclosures to underlying supporting documentation and inquiries of management.

The primary responsibility for the prevention and detection of irregularities including fraud rests with those charged with governance and management. As with any audit, there remains a risk of non-detection or irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or override of internal controls.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Shahnawaz Mirza (Senior Statutory Auditor)

For and on behalf of

Grant Thornton

Chartered Accountants & Statutory Auditors

Dublin, Ireland

29 September 2021

Profit and Loss Account
for year ended 31 December 2021

	Note	2021 £000	2020 £000
Net portfolio income	3.1	115,466	94,285
Other income	3.2	12	228
Cost of sales	4.1	(23,121)	(16,999)
		<hr/>	<hr/>
Gross profit		92,357	77,514
Administrative expenses	4.2	(32,128)	(25,765)
		<hr/>	<hr/>
Operating profit		60,229	51,749
Interest receivable and similar income	7	13	123
Interest payable and similar expenses	8	(52,805)	(63,365)
		<hr/>	<hr/>
Profit/(Loss) on ordinary activities before taxation		7,437	(11,493)
Tax credit/(expense)	9	869	(12,927)
		<hr/>	<hr/>
Profit/(Loss) for the financial year		8,306	(24,420)
		<hr/>	<hr/>

All of the activities of the company are classed as continuing.

The company has no other items of comprehensive income other than the results for the year as set out above.

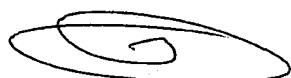
The notes on pages 16 to 32 form an integral part of these financial statements.

Balance Sheet

As at 31 December 2021

	Notes	2021 £000	2020 £000
Non-Current assets			
Intangible assets	10	418	304
Tangible assets	11	1,290	655
Other debtors		56	56
Finance receivables	12	585,930	617,135
Deferred tax asset	18	2,610	1,525
		<u>590,304</u>	<u>619,675</u>
Current assets			
Debtors	13.1, 13.2	8,578	8,349
Finance receivables	12	264,808	237,649
Cash at bank and in hand	12.1	10,965	5,156
		<u>284,351</u>	<u>251,154</u>
Creditors: amounts falling due within one year	14	<u>(18,854)</u>	<u>(17,072)</u>
Net current assets		<u>265,497</u>	<u>234,082</u>
Total assets less current liabilities		<u>855,801</u>	<u>853,757</u>
Creditors: amounts falling due in more than one year	15	<u>(628,264)</u>	<u>(635,194)</u>
Provisions	16	<u>(1,510)</u>	<u>(842)</u>
Net assets		<u>226,027</u>	<u>217,721</u>
Capital and reserves			
Called up share capital	17	400	400
Share premium	17	239,322	239,322
Profit and loss account		(13,695)	(22,001)
Equity shareholder's funds		<u>226,027</u>	<u>217,721</u>

These financial statements were approved by the board of directors on **28/09/2022** and were signed on its behalf by:



P M Sjölund
Director

Company registered number: 04267803

Statement of Changes in Equity

For the year ended 31 December 2021

	Called up share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2020	400	34,622	2,419	37,441
Total comprehensive income for the year				
Loss for the year	-	-	(24,420)	(24,420)
Total comprehensive income for the year	-	-	(24,420)	(24,420)
Transactions with owners, recorded directly in equity:				
Issue of shares	-	204,700	-	204,700
Balance at 31 December 2020	400	239,322	(22,001)	217,721

	Called up share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	400	239,322	(22,001)	217,721
Total comprehensive income for the year				
Profit/(Loss) for the period	-	-	8,306	8,306
Total comprehensive income for the year	-	-	8,306	8,306
Transactions with owners, recorded directly in equity:				
Issue of shares	-	-	-	-
Balance at 31 December 2021	400	239,322	(13,695)	226,027

Notes (forming part of the financial statements)

1 Accounting policies

PRA Group (UK) Limited (the “Company”) is a private company limited by shares and incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in March 2018 and became effective 1 January 2019 with Amendments in 2019 and 2020 that became effective 1 January 2020. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

These financial statements present information about the Company as an individual undertaking and not about its group.

The Company’s ultimate parent undertaking, PRA Group Inc., includes the Company in its consolidated financial statements. The consolidated financial statements of PRA Group Inc. are prepared in accordance with Generally Accepted Accounting Principles as adopted by the U.S. Securities and Exchange Commission, are available to the public and may be obtained from 120 Corporate Boulevard, Norfolk, Virginia 23502, USA. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of PRA Group Inc. include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

No new standards had a material impact on the financial statements in the current year or subsequent years.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except as described in the following notes.

1.2 Going concern

The company’s forecasts and projections, taking account of reasonable possible changes in trading performance with stress testing scenarios including and excluding portfolio purchases, show a net profit in the forthcoming years and that the company will be able to continue to operate on the going concern basis within available facilities even in the unlikely event that no new portfolios are purchased. As a consequence, the directors believe that the company has adequate resources to continue in operational existence and is well placed to manage its financial position successfully for the period of at least twelve months from the date of the approval of the financial statements of the company and prepares these financial statements on a going concern basis. The Directors have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for a period

Notes (continued)

of at least twelve months from the date of approval of the financial statements (“the going concern period”). The Directors are neither aware of any changes to the structure of the business that would impact on the company nor any structural changes required to operate as a going concern. Additionally, there is no intention to terminate the operations of the company for a period of at least twelve months of the date of the approval of the financial statements of the company.

In Q1 2021, PRA Group Europe Holding extended its loan facility maturity date in which the company participates to 19 May 2023 and provided a letter of support to the company stating its intention to provide adequate financial support as is necessary to ensure its continuing operation. The company regularly updates its forecasts submitted to its ultimate parent company, PRA Group Inc. which helps ensure sufficient funding to meet our business needs and financial obligations. The company’s funding strategy is to not rely on external finance, but to utilize group funding. The company has not amended its funding structure post balance sheet date and does not consider any amendments necessary. The Global Treasury Department monitor all covenants relating to the facility agreement and there are currently no concerns relating to breaching any of them. The current drawn balance from the facility is \$628m out of a total \$1.35bn available.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company’s functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Financial instruments

The Company has made an accounting policy choice in accordance with FRS 102.11.2C to apply the recognition and measurement provisions of IFRS 9, *Financial Instruments* to its financial instruments.

Initial recognition

All financial assets and liabilities are recognised initially at fair value plus any directly attributable costs of acquisition or issue, except in the case of financial assets and liabilities at fair value through profit or loss (“FVTPL”).

Financial assets at amortised cost

A debt financial asset is measured at amortised cost if:

- it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the Effective Interest Rate (EIR) method, less any impairment in value. The Company has classified its “Trade and other debtors” and “Financial receivables” as financial assets at amortised cost.

Notes (continued)

Trade and other debtors

The Company makes use of a simplified approach in accounting for trade and other debtors and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential default at any point during the life of the financial instrument. In assessing these balances for impairment, the Company uses its historical experience and external indicators.

Finance receivables

The finance receivables consist of purchased, credit-impaired unsecured loans and non-derivative financial assets without fixed or determinable payments that are not quoted in an active market.

The Company acquires portfolios of accounts that have experienced deterioration of credit quality between origination and the Company's acquisition of the accounts. The amount paid for a portfolio reflects the Company's determination that it is probable the Company will be unable to collect all amounts due according to an account's contractual terms.

The Company considers expected prepayments and estimates the amount and timing of expected principal, interest and other cash flows (expected at acquisition) for each acquired portfolio based on the Company's proprietary models to determine the fair value at acquisition.

The impairment model is an expected loss model, which means that it's not necessary for a loss event to occur before an impairment loss is recognized. Expected credit losses (ECLs) are recognized at each reporting period, and one model applies to all financial instruments subject to impairment testing. In addition to past events and current conditions, the impairment shall also reflect forward-looking information.

Under the IFRS 9 general approach, there are two measurement bases:

- 12-month ECLs, which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality
- Lifetime ECLs, which applies when significant increase in credit risk has occurred on an individual or collective basis.

The portfolios of non-performing debt portfolios loans acquired by PRA Group are purchased at deep discount and are credit-impaired at initial recognition. For these type of assets, the treatment is different than under the general approach.

For purchased credit-impaired assets, at each reporting date the Company recognises in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. Any favourable changes for such assets are an impairment gain even if the resulting expected cash flows of a financial asset exceed the estimated cash flows on initial recognition.

The EIR is credit-adjusted, meaning that the EIR at initial recognition is calculated taking into account the initial lifetime ECLs in the estimated cash flows and there is no additional 12-month ECL allowance.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes (continued)

Financial liabilities

The Company's financial liabilities include amounts under "Creditors" and are measured at amortised cost. These financial liabilities are derecognised when the obligation under the liabilities are discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Fixtures and fittings 2 - 10 years
- Equipment 5 - 10 years
- Computer Equipment 3 - 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits. The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Profit and Loss Account.

1.6 Intangible assets and goodwill

Other intangible assets (software)

Software assets that are acquired by the Company are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful life of software is 5 years. Impairments are recognised when the carrying value of the asset exceeds the future economic benefits.

1.7 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Share Based Payments

Equity-settled arrangements are measured at fair value at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period.

Notes (continued)

1.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.9 Portfolio income

Portfolio income represents income from the yield from purchased loan portfolios. Purchased loan portfolios are credit-impaired financial assets that are recognised at fair value at the purchase date that equals the price. They are subsequently measured at amortised cost using the effective interest rate method by applying the original credit-adjusted effective interest rate to the amortised cost of the financial assets.

Upward revaluations ('write ups') are increases to carrying values, discounted at the effective interest rate, of the acquired debt portfolios as a result of reassessments to their estimated future cash flows and are recognised in the income from portfolios line within revenue. Any subsequent reversals to write-ups and any write-downs are also recorded in this line.

1.10 Other income and expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense (note 20).

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Where an uncertain tax position is identified, management will make a judgement as to what the probable outcome will be, assuming the relevant tax authority has full knowledge of the situation. Where it is assessed that an economic outflow is probable to arise, a provision is made for the best estimate of the liability. These estimates take into account the specific circumstances of each dispute and relevant external advice.

The company recognises interest and penalties related to unrecognised tax benefits within the income tax expense line in the accompanying consolidated statement of income. Accrued interest and penalties are included within the related tax liability line in the consolidated statement of financial position.

2 Accounting estimates and judgements

Key sources of estimation uncertainty

Income from purchased loan portfolios

The company evaluates the recovery of finance receivables using the effective interest rate method to account for loans and receivables balances, as set out in note 12. This valuation is based on an analysis of projected cash flows that may prove to be less than anticipated and could lead to reductions in future revenues or the incurrence of allowance charges.

We account for our investment in finance receivables using the effective interest rate method, which involves the use of estimates and the exercise of judgment. These estimates include projections of the quantity and timing of future cash flows and economic lives of our pools of finance receivables. Significant changes in such estimates could result in increased revenue via yield increases which are recognised prospectively or increased allowance charges resulting from decreased cash flow estimates which are recognised immediately.

Estimating expected credit losses on finance receivables

The Company calculates impairment provision on finance receivables, as set out in note 3, using the expected credit loss model, which involves the use of estimates and the exercise of judgment. Elements of the ECL model that are considered key accounting judgments and are subject to estimation uncertainty include:

Notes (continued)

- Projections of the quantity and timing of future cash flows;
- Economic expected useful lives of the finance receivables;
- Sufficiency and appropriateness of data used and relationships assumed in building the components of the ECL model; and
- Incorporation of forward-looking information

Significant changes in these judgments and estimates can result in changes in impairment gains or losses which are recognised in profit or loss.

Uncertain Tax Position

The company has open tax assessments with the UK tax authority. Management makes a judgement of whether there is sufficient information to be able to make a reliable estimate of the outcome of the dispute. If insufficient information is available, no provision is made.

If sufficient information is available, in estimating a potential tax liability management take into account the specific circumstances of each dispute and relevant external advice. This estimate is inherently judgemental and could change substantially over time as each dispute progresses and new facts emerge.

Factors affecting the tax charge in future years are set out in Note 9 (Taxation) and Note 14.1 (Provision for Uncertain Tax Position). The company continues to believe that it has made adequate provisions for the liabilities likely to arise from open tax assessments. Where open issues exist, the ultimate liability for such matters may vary from the amounts provided and is dependent on the outcome of negotiations with the tax authority.

Notes (continued)

3 Portfolio and Other income

3.1 Portfolio income

	2021 £000	2020 £000
Income from purchased loan portfolios	130,278	107,009
Impairment losses from purchased loan portfolios	(14,812)	(12,724)
	<u>115,466</u>	<u>94,285</u>

3.2 Other income

	2021 £000	2020 £000
Other Income	12	228

Other income in 2021 totalling £11,775 mostly represents a Furlough Grant of £11,110. The Furlough Grant in 2020 was £224,238.

4 Cost of Sales and Administrative expenses

4.1 Cost of Sales

	2021 £000	2020 £000
Commission charges	14,628	12,223
Fees	8,493	4,776
	<u>23,121</u>	<u>16,999</u>

Commission charges represent the cost of debt collection on portfolios owned by the company but collected by external debt collectors. When the company serves as an external debt collector this commission is recorded in other income as stated in Note 2.

Notes (continued)

4.2 Administrative expenses

	2021 £000	2020 £000
Payroll cost	14,709	11,933
Group consultancy	4,779	3,211
External consultancy	1,533	1,155
Premises	1,701	1,442
Communication	2,251	2,028
IT Cost	3,785	3,796
Compliance fees	1,322	980
Depreciation and amortisation	1,519	404
Other operating expenses	529	816
	32,128	25,765

Group consultancy relates to the provision of headquarters management services which include corporate management, sourcing management, finance and administration, analytics, outsourcing, legal, HR, treasury and information technology (IT) services.

Auditor's remuneration:

	2021 £000	2020 £000
Audit of the Statutory Financial Statements to Grant Thornton	170	60
Audit for Group Reporting Purposes to KPMG	-	77
Amounts receivable by the company's auditor and its associates in respect of:		
Other services relating to iXBRL tagging	1	1

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2021	2020
Operations	4	4
Collections and administration	362	342
	366	346

Notes (continued).

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	15,458	13,834
Social security costs	1,840	1,358
Contributions to defined contribution plans	471	448
Other benefits	1,448	670
Group staff cost recharged to group	(4,507)	(4,377)
	<u>14,709</u>	<u>11,933</u>

6 Directors' remuneration

	2021 £000	2020 £000
Directors' remuneration	1,600	1,382
Amounts receivable under long term incentive scheme	948	288
Defined contribution pension scheme	38	39
	<u>2,586</u>	<u>1,709</u>

The remuneration of the highest paid director was £788,274 (2020: £594,092). Amounts paid/payable under long term incentive scheme relate to a restricted stock scheme which all directors are entitled to and the amounts paid/payable under long term incentive scheme of the highest paid director was £779,752 (2020: £167,567).

7 Interest receivable and similar income

	2021 £000	2020 £000
Bank deposit interest	-	-
Other interest	13	123
	<u>13</u>	<u>123</u>
Total interest receivable and similar income	<u>13</u>	<u>123</u>

8 Interest payable and similar expenses

	2021 £000	2020 £000
Interest payable on intercompany loans	50,154	63,360
Fees payable on intercompany loans	2,636	-
Bank charges	15	5
	<u>52,805</u>	<u>63,365</u>
Total interest payable and similar expenses	<u>52,805</u>	<u>63,365</u>

Notes (continued)

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2021 £000	2020 £000
<i>Current tax</i>		
Current tax on income for the period	217	-
Adjustments in respect of current and prior periods	-	9,779
Total current tax	217	9,779
<i>Movement in Deferred Tax</i>		
Origination and reversal of timing differences	(1,086)	3,148
Total deferred tax	(1,086)	3,148
Total tax	(869)	12,927

Reconciliation of effective tax rate

	2021 £000	2020 £000
Profit/(Loss) for the year	8,306	(24,420)
Total tax expense/(credit)	(869)	12,927
Profit/(Loss) excluding taxation	7,437	(11,493)
Tax using the UK corporation tax rate of 19 % (2019: 19.%)	217	-
Other	(1,086)	3,148
Group relief	-	-
Under provision in prior years and current year provision	-	9,779
Total tax expense/(credit) included in profit or loss	(869)	12,927

In the March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 01 April 2020. In the March 2021 Budget it was announced that it will increase the main corporation tax rate to 25% from 1 April 2023 on profits over £250,000. The rate for small profits under £50,000 will remain at 19%.

Where a company's profits fall between £50,000 and £250,000 (the lower and upper limits), it will be able to claim an amount of marginal relief, providing a gradual increase in the corporation tax rate.

Notes (continued)

10 Intangible assets

	Total
	£000
Cost:	
At 1 January 2021	1,828
Additions	255
Disposals	(195)
	<u>1,888</u>
At 31 December 2021	<u>1,888</u>
Amortisation:	
At 1 January 2021	1,524
Charge for the year	114
Disposals	(168)
	<u>1,470</u>
At 31 December 2021	<u>1,470</u>
Net book value:	
At 31 December 2021	<u>418</u>
At 31 December 2020	<u>304</u>

There are no contractual commitments for the acquisition of other intangible assets.

11 Tangible fixed assets

	Fixtures & fittings £000	Equipment £000	Computer equipment £000	Total £000
Cost:				
At 1 January 2021	1,805	228	1,717	3,750
Additions	671	-	257	928
Disposals	-	-	(23)	(23)
	<u>2,476</u>	<u>228</u>	<u>1,951</u>	<u>4,655</u>
At 31 December 2021	<u>2,476</u>	<u>228</u>	<u>1,951</u>	<u>4,655</u>
Depreciation:				
At 1 January 2021	1,690	116	1,289	3,095
Provided during the year	89	15	189	293
Disposals	-	-	(23)	(23)
	<u>1,779</u>	<u>131</u>	<u>1,455</u>	<u>3,365</u>
At 31 December 2021	<u>1,779</u>	<u>131</u>	<u>1,455</u>	<u>3,365</u>
Net book value:				
At 31 December 2021	<u>697</u>	<u>97</u>	<u>496</u>	<u>1,290</u>
At 31 December 2020	<u>115</u>	<u>112</u>	<u>428</u>	<u>655</u>

There are no contractual commitments for the acquisition of tangible fixed assets.

Notes (continued)

12 Finance receivables

	2021 £000	2020 £000
Portfolios as of 1 January, net	854,784	801,677
Additions	169,813	193,383
Amortisation on portfolios	(159,047)	(127,552)
Impairment on portfolios	(14,812)	(12,724)
	<u>850,738</u>	<u>854,784</u>
12.1 Cash and cash equivalents		
Cash in bank	10,958	5,150
Cash in hand	7	6
	<u>10,965</u>	<u>5,156</u>

The company includes cash in transit in cash and cash equivalents which is recorded as payments in its collection system based on reliable documentation and the company expects to receive the cash within 30 days of the posting date.

13

13.1 Debtors

	2021 £000	2020 £000
Accounts receivable	1,112	5,667
Amounts owed by group undertakings	770	1,059
Other debtors	82	1
Prepayments	2,356	1,547
Advance corporation tax payments	4,258	75
	<u>8,578</u>	<u>8,349</u>

13.2 Accounts receivable

	2021 £000	2020 £000
Repurchases, buybacks and remediation	1,112	4,687
Cash in transit	-	980
	<u>1,112</u>	<u>5,667</u>

There is no Cash in transit in 2021. Cash in transit of £980,000 in 2020 related to funds collected on behalf of PRA Group (UK) Ltd by a third party with subsequent remittance to the company.

Notes (continued)

14 Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Trade creditors	115	290
Amounts owed to group undertakings	1,874	1,105
Provision for uncertain tax position (note 14.1)	9,861	9,779
Taxation and social security	782	430
Accruals	5,463	5,190
VAT payable	759	278
	<u>18,854</u>	<u>17,072</u>

14.1 Provision for Uncertain Tax Position

The provision for uncertain tax position includes unwinding of deferred taxes related to 2019 and 2020 for the total of approximately £6,240k.

14.2

	2021	2020
	£000	£000
Carrying amount at the beginning of the year	9,779	-
Additions during the year	82	9,779
Utilisation/Charge against the provision during the year	-	-
Reversal during the year	-	-
	<u>9,861</u>	<u>9,779</u>
Carrying amount at the end of the year		

The provision for uncertain tax position relates to an ongoing regulatory enquiry where the timing and expected amount of the payment is undetermined due to further discussion and settlement with the regulator.

15 Creditors: amounts falling due in more than one year –Long term loan

	2021	2020
	£000	£000
Amounts owed to group undertakings	<u>628,264</u>	<u>635,194</u>

Notes (continued)

On 27 October 2014, the Company signed a loan agreement with the SHCO 54 S.a.r.l, a related party entity and group financier identified on the loan agreement. In the first quarter of 2021, the 7th amendment to the loan agreement extended that agreement onto PRA Group Europe Finance S.a.r.l. The agreement provided that the group financier make available one revolving loan to each of the group subsidiaries, such as PRA Group (UK) Limited.

The loans incur interest on the drawn amount at a rate equivalent to the linked external debt held by the group financier and a group subsidiary specific margin. This margin consists of a risk spread in a relation to the book value of the drawn amount and total equity of the company, as well as a country specific rate.

The external debt matures on 19 February 2023 which is also linked to the maturity date of the loans.

16 Provisions

	2021 £000	2020 £000
Dilapidations provision	1,510	842

The provision relates to future dilapidations costs of leasehold property. The provision is expected to be utilised within ten years.

17 Share capital

	2021 £000	2020 £000
Allotted and fully paid		
400,002 (2020:400,002) Ordinary Shares of £1 each	400	400
Share premium	239,322	239,322

17.1

	2021	2020
Allotted and fully paid at beginning at beginning of the year	400,002	400,001
Additions	-	1
Allotted and fully paid £1 each at end of the year	400,002	400,002

Share capital contains the nominal amount raised by the company in sales of shares. Share premium contains the amount paid for an equity in excess of its nominal value while P&L warehouses company cumulative profit and loss retained from net income of prior years and current year.

The company has one class of ordinary shares with equal voting, dividend and return of capital rights. There was no unit share allotted during the year.

Notes (continued)

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2021 £000	2020 £000
Accelerated capital allowances	(100)	(135)
Other timing differences	(2,510)	(15)
Losses carried forward	-	(1,375)
	<hr/>	<hr/>
Tax (assets) / liabilities	(2,610)	(1,525)
Net of tax (liabilities)/assets	-	-
	<hr/>	<hr/>
Net tax (assets) / liabilities	(2,610)	(1,525)
	<hr/>	<hr/>

Other timing differences contain Bonus provision, unpaid pension.

19 Employee benefits

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £470,789 (2020: £447,669).

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2021 £000	2020 £000
Less than one year	1,316	863
Between one and five years	3,261	446
Over five years	3,420	-
	<hr/>	<hr/>
	7,997	1,309
	<hr/>	<hr/>

During the year £1,071,456 was recognised as an expense in the profit and loss account in respect of operating leases (2020: £998,213).

Notes (continued)

21 Contingencies

PRA Group Europe Holding S.à r.l. Luxembourg, Zug Branch, has provided security for loan facilities as part of its banking arrangements. PRA Group (UK) Limited has therefore entered into a debenture charging all the assets and undertakings of the company as security in favour of the parent company's bank up to a maximum amount of USD \$2,160,000,000.

22 Related parties

As a wholly owned subsidiary of PRA Group Inc. the company is exempt from the requirements of FRS102.33 to disclose transactions with other members of the group headed by PRA Group Inc. All subsidiaries that are parties to the related party transactions are all wholly owned by PRA Group Inc.

23 Ultimate parent company and parent company of larger group and related undertakings

The company is a wholly owned subsidiary of PRA Group Inc., a company incorporated in USA (listed on Nasdaq), which the directors consider to be the ultimate parent and controlling party. The company's immediate parent company is PRA Group Europe Holding S.à r.l.. PRA Group Inc. is the parent of the smallest and largest group for which group financial statements which include the company are prepared. Copies of the group financial statements are available from 120 Corporate Boulevard, Norfolk, Virginia 23502, USA.

The Company's immediate and ultimate parent company are listed above. The company's related subsidiary undertakings which are stated in note 22.

24 Events after the balance sheet date

In February 2022, a number of countries (including the US, UK and EU) imposed sanctions against certain entities and individuals in Russia following military operations initiated by Russia against the Ukraine on 24 February 2022. Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility on the securities and currency markets, as well as a significant depreciation of the ruble against the US dollar and the euro. It is expected that these events may affect the activities of Russian enterprises in various sectors of the economy. The Company regards these events as non-adjusting events after the reporting period and it has no exposure to Russian nor Ukrainian debtors nor any investments denominated in ruble. Although neither the Company's performance and going concern nor operations, as at the date of this report, have been significantly impacted by the above, the Board of Directors continues to monitor the evolving situation and its impact on the financial position and results of the Company.

The company has amended its funding structure post balance sheet date. On April 1, 2022, it completed the refinancing of its European credit facilities. This refinancing includes a new \$800 million UK credit facility and an amended and resized \$750 million credit facility covering the rest of Europe, excluding the UK. The new UK facility includes a diverse group of both new and existing lenders that participate in both the North American and European credit facilities.