PRA Group (UK) Limited

Annual report and financial statements

Registered number 04267803

31 December 2020

Company information

Directors

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

Secretary

Wells House,
15-17 Elmfield Road
Bromley
Kent
BR1 1LT

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Registered office

Wells House,
15-17 Elmfield Road
Bromley
Kent
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Contents

Strategic Report

The Directors present their strategic report for the year ended 31 December 2020.

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 £15,928,000 (from £78,357 in 2019). This increase is comprised of higher income from purchased loan of approximately £15,356,000 (£91,653,000 in 2019) and change in impairment of approximately £572,000 (£13,296,000 in 2019). This increase in portfolio income partially explains the decrease in realised loss on ordinary activities before taxation, of approximately £11,493,000 in 2020 compared to approximately £25,116,000 in 2019. The increase in tax expense (approximately £12,927,000 in 2020 compared to tax credit of £4,390,000 in 2019), partially explains the increase in realised loss.

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 has relationships with associated group companies outside of the UK and it trades in currencies denominated other than pounds sterling. As a result, the company is exposed to foreign currency risk, which is managed by the group's defined financial risk policy.

Interest rate risk

The company does not have any external debt. Borrowings from group undertakings bear interest, which is calculated based on a base interest rate linked to LIBOR plus country specific risk premiums. It is possible that beginning in 2022 LIBOR will be discontinued as a reference rate. In Q1 2021 , PRA Group Europe Holding extended its loan facility and as part of the agreement a clause was added which obliges all parties to enter into negotiations after 30 September 2021 and before 31 December 2021 to agree a suitable LIBOR replacement rate together with any consequential amendments to apply from 1 January 2022 onwards.

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 company continually monitors cash collections. The carrying values are impaired where the underlying performance does not meet expectations. The risk is managed through a portfolio valuation process

Strategic Report *(continued)*

including modelling current expectations of recoverability based on historical information on debt types. A pricing review process is in place which includes key members from all areas of the business.

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 provide extensive training upon hire and additional training at least annually. The company also continuously monitor and evaluate 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.

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 low-carbon economy. The company completed its Energy Savings Opportunity Scheme (ESOS) which measures its carbon consumption and has undertaken a number of initiatives such as measuring levels of recycling (including food waste), promoting a cycle to work scheme to encourage environmentally friendly methods of travel and setting printer defaults to double-sided printing.

Strategic Report *(continued)*

Future outlook

The company has continuously been monitoring the consequences of the COVID-19 pandemic. The company cannot predict the extent to which the continuing COVID-19 pandemic will impact our business, results of operations and financial results due to numerous evolving factors such as the extent to which vaccines will be effective against mutations of COVID-19. However, to date the pandemic has not had a material impact on operations. We continue to monitor the developments and are mindful of the changing economic environment. The company also migrated rapidly to a working from home environment during the first lockdown in March 2020 and therefore does not foresee and further impact from an operational perspective from future lockdown measures (if any).

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.

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 discharging its duties, the board has considered the factors above as well as any other factors which they considered relevant to the decision being made.

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: 24 September 2021

Directors' Report

The Directors present their report and financial statements for the year ended 31 December 2020.

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.

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.

The company has continuously been monitoring the consequences of the COVID-19 pandemic. Funds generated from operations, cash collections on finance receivables, existing cash, available group borrowings have been sufficient to finance our operations, planned capital expenditures, forward flow purchase commitments and portfolio purchases during the pandemic. The company did initially have a COVID-19 related overlay haircut built into its forecasts for certain portfolios purchased in Q4 2021 however this haircut has now been removed and is no longer required due to the strong performance of the company in 2021 to date. We continue to monitor the developments and are mindful of the changing economic environment. The company also migrated rapidly to a working from home environment during the first lockdown in March 2020 and therefore does not foresee any further impact from an operational perspective from future lockdown measures (if any).

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 $900m out of a total $1.35bn available.

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 3 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

There were no specific events between the balance sheet date and the date of approval of the Director's Report.

To date, the Company has continued to operate business considering governmental, legal and regulatory actions in response to the COVID-19 pandemic. The Company is able to monitor on a daily basis the impacts of COVID-19 on our business, operations and financial results and to take steps to mitigate adverse effects wherever possible. These include communicating with regulators and government officials concerning legislation and regulations, enabling employees to work remotely and implementing social distancing in the workplace.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

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.

Reappointment of Auditor

KPMG LLP was reappointed as statutory auditor of the company in the year. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board

P M Sjölund
Director

Date: 24 September 2021

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.

KPMG

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") for the year ended 31 December 2020 which comprise the Profit and Loss Account, the Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They 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 at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and the compliance team as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes;
- Considering remuneration incentive schemes and performance targets that are tied to portfolio acquisitions and portfolio performance.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as provision for uncertain tax positions. On this audit we do not believe there is a fraud risk related to revenue recognition because the calculation of the revenue is non-judgmental and straightforward, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by users with few numbers of posting entries, and those posted on UK bank holidays.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.
As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, data protection, anti-money laundering and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

For the provision for uncertain tax position matter discussed in note 14, we assessed disclosures against our understanding from regulatory correspondence/ used our taxation specialists to assess the transfer pricing arrangements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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.

Satish Iyer

Satish Iyer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
24 September 2021

Profit and Loss Account
for year ended 31 December 2020

	Note	2020 £000	2019 £000
Portfolio income	3.1	**94,285**	78,357
Other income	3.2	**228**	1,489
Cost of sales	4.1	**(16,999)**	(15,131)
Gross profit		**77,514**	64,715
Administrative expenses	4.2	**(25,765)**	(25,692)
Operating profit		**51,749**	39,023
Interest receivable and similar income	7	**123**	192
Interest payable and similar expenses	8	**(63,365)**	(64,331)
Loss on ordinary activities before taxation		**(11,493)**	(25,116)
Tax (expense)/credit on ordinary activities	9	**(12,927)**	4,390
Loss for the financial year		**(24,420)**	(20,726)

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 14 to 28 form an integral part of these financial statements.

Balance Sheet
As at 31 December 2020

	Notes	2020 £000	2019 £000
Non-Current assets			
Intangible assets	10	**304**	448
Tangible assets	11	**655**	665
Deferred tax asset	18	**1,525**	4,672
		2,484	5,785
Current assets			
Debtors	13.1, 13.2	**8,330**	3,058
Finance receivables	12	**854,784**	801,676
Cash and Cash equivalents	12.1	**5,156**	18,117
		868,270	822,851
Creditors: amounts falling due within one year	14	**(16,997)**	(6,800)
Net current assets		**851,273**	816,051
Total assets less current liabilities		**853,757**	821,836
Creditors: amounts falling due in more than one year	15	**(635,194)**	(783,553)
Provisions	16	**(842)**	(842)
Net assets		**217,721**	37,441
Capital and reserves			
Called up share capital	17	**400**	400
Share premium	17	**239,322**	34,622
Profit and loss account		**(22,001)**	2,419
Equity shareholder's funds		**217,721**	37,441

These financial statements were approved by the board of directors on **24 September 2021** and were signed on its behalf by:

P M Sjölund
Director

Company registered number: 04267803

Statement of Changes in Equity

	Called up share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	400	34,622	23,145	58,167
Total comprehensive income for the period				
Loss for the period	-	-	(20,726)	(20,726)
Total comprehensive income for the period	-	-	(20,726)	(20,726)
Transactions with owners, recorded directly in equity:				
Issue of shares	-	-	-	-
Total contributions by owners	-	-	-	-
Balance at 31 December 2019	**400**	**34,622**	**2,419**	**37,441**

	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 period				
Loss for the period	-	-	(24,420)	(24,420)
Total comprehensive income for the period	-	-	(24,420)	(24,420)
Transactions with owners, recorded directly in equity:				
Issue of shares	-	204,700	-	204,700
Total contributions by owners	-	-	-	-
Balance at 31 December 2020	**400**	**239,322**	**(22,001)**	**217,721**

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.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. 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:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- 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 24.

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 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

Notes *(continued)*

of the company for a period of at least twelve months of the date of the approval of the financial statements of the company.

The company has continuously been monitoring the consequences of the COVID-19 pandemic. Funds generated from operations, cash collections on finance receivables, existing cash, available group borrowings have been sufficient to finance our operations, planned capital expenditures, forward flow purchase commitments and portfolio purchases during the pandemic. The company did initially have a COVID-19 related overlay haircut built into its forecasts for certain portfolios purchased in Q4 2021 however this haircut has now been removed and is no longer required due to the strong performance of the company in 2021 to date. We continue to monitor the developments and are mindful of the changing economic environment. The company also migrated rapidly to a working from home environment during the first lockdown in March 2020 and therefore does not foresee and further impact from an operational perspective from future lockdown measures (if any).

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 $900m 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 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

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.

Notes *(continued)*

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.

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

PRA Group (UK) Limited purchased the assets of PRA Servicing Ltd on 1st May 2015. The goodwill was transferred over at the NBV at this time. The goodwill originated from the purchase of Pamplona Credit Opportunities Investments Limited and Pamplona Credit Management LLP, by PRA Servicing Ltd in 2014.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 5 years.

1.7 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. These receivables are initially recognised at the purchase price and associated direct transaction costs in accordance with FRS 102.11.2.C. The loans are subsequently measured at amortised cost by using the effective interest method through portfolio income.

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 reflects forward-looking information.

Under the 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 are different than under the general approach.

Notes *(continued)*

For purchased credit-impaired assets, we would recognize all changes in lifetime expected credit losses since initial recognition as a loss allowance with any changes recognized in P&L. Under the requirements, 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.

1.9 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

The Company determines share based compensation expense for all share-based awards based on the vesting date fair value.

1.10 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.

1.11 Portfolio income

Portfolio income represents income from the yield from purchased loan portfolios. Purchased loan portfolios are financial instruments 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.

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.

The company also derives revenue from invoiced or accrued value of services provided by the company which represent the agreed commission paid by customers on cash collections from portfolios owned by third parties. These amounts are recorded as other income on the Profit and Loss account.

1.12 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.

Notes *(continued)*

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.

1.13 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 is it 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

The company evaluates the recovery of finance receivables using the effective interest rate method to account for loans and receivables. 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.

Notes *(continued)*

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.

3 Portfolio and Other income

3.1 Portfolio income

	2020 £000	2019 £000
Income from purchased loan portfolios	**107,009**	91,653
Impairment losses from purchased loan portfolios	**(12,724)**	(13,296)
	94,285	78,357

3.2 Other income

	2020 £000	2019 £000
Other Income	**228**	1,489

Other income in 2020 totalling £288,220 mostly represents a Furlough Grant of £224,238. There was no Furlough Grant in 2019. The total relating to 2019 mostly represents Dividend in specie from PF1 (£1.4m from the total of £1.489m)

4 Cost of Sales and Administrative expenses

4.1 Cost of Sales

	2020 £000	2019 £000
Commission charges	**12,223**	10,309
Fees	**4,776**	4,822
Cost of Sales	**16,999**	15,131

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

	2020 £000	2019 £000
Payroll cost	**11,933**	10,988
Group consultancy	**3,211**	3,123
External consultancy	**1,155**	956
Premises	**1,442**	1,554
Communication	**2,028**	2,413
IT Cost	**3,796**	3,660
Compliance fees	**980**	829
Depreciation and amortisation	**404**	952
Other operating expenses	**816**	1,217
	25,765	25,692

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:

	2020 £000	2019 £000
Audit of the Statutory Financial Statements	**60**	60
Audit for Group Reporting Purposes	**77**	77
Amounts receivable by the company's auditor and its associates in respect of:		
Other services	**1**	7

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 2020	2019
Operations	**4**	4
Collections and administration	**342**	327
	346	331

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	**13,834**	12,637
Social security costs	**1,358**	1,375
Contributions to defined contribution plans	**448**	431
Other benefits	**670**	98
Group staff cost recharged to group	**(4,377)**	(3,553)
	11,933	10,988

Notes *(continued)*

6 Directors' remuneration

	2020 £000	2019 £000
Directors' remuneration	**1,382**	1,052
Amounts receivable under long term incentive scheme	**288**	114
Defined contribution pension scheme	**39**	39

The remuneration of the highest paid director was £594,092 (*2019: £458,779*). Amounts receivable under long term incentive scheme relate to a restricted stock scheme which all directors are entitled to and the aggregate amount of remuneration and amounts receivable under long term incentive scheme of the highest paid director was £167,567 (*2019: £78,341*).

7 Interest receivable and similar income

	2020 £000	2019 £000
Bank deposit interest	**-**	1
Other interest	**123**	191
Total interest receivable and similar income	**123**	192

8 Interest payable and similar expenses

	2020 £000	2019 £000
Interest payable on intercompany loans	**63,360**	64,178
Bank charges	**5**	153
Total interest payable and similar expenses	**63,365**	64,331

Notes *(continued)*

9 Taxation

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

	2020 £000	2019 £000
Current tax		
Current tax on income for the period	-	-
Adjustments in respect of current and prior periods	9,779	-
Total current tax	9,779	-
Movement in Deferred Tax		
Origination and reversal of timing differences	3,148	(4,390)
Total deferred tax	3,148	(4,390)
Total tax	12,927	(4,390)

Reconciliation of effective tax rate

	2020 £000	2019 £000
Loss for the year	(24,420)	(20,726)
Total tax expense/(credit)	12,927	(4,390)
Loss excluding taxation	(11,493)	(25,116)
Tax using the UK corporation tax rate of 19 % *(2019: 19.%)*	-	-
Other	3,148	(4,390)
Group relief	-	-
Under provision in prior years and current year provision	9,779	-
Total tax expense/(credit) included in profit or loss	12,927	(4,390)

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%.

Notes *(continued)*

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.

10 Intangible assets and goodwill

	Goodwill	Other intangible assets	Total
	£000	£000	£000
Cost:			
At 1 January 2020	2,333	1,806	4,139
Additions		22	22
Disposals	-	-	-
At 31 December 2020	2,333	1,828	4,161
Amortisation:			
At 1 January 2020	2,333	1,358	3,691
Charge for the year	-	166	166
At 31 December 2020	2,333	1,524	3,857
'Net book value:			
At 31 December 2020		**304**	**304**
At 31 December 2019	-	448	448

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 2020	1,811	210	1,512	3,533
Additions	4	18	208	230
Disposals	(10)	-	(3)	(13)
At 31 December 2020	**1,805**	**228**	**1,717**	**3,750**
Depreciation:				
At 1 January 2020	1,624	101	1,143	2,868
Provided during the year	74	15	148	237
Disposals	(8)	-	(2)	(10)
At 31 December 2020	1,690	116	1,289	3,095
Net book value:				
At 31 December 2020	**115**	**112**	**428**	**655**
At 31 December 2019	187	109	369	665

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

Notes *(continued)*

12 Finance receivables

	2020	2019
	£000	£000
Portfolios as of 1 January, net	801,677	655,932
Additions	193,383	269,868
Amortisation on portfolios	(127,552)	(110,827)
Impairment on portfolios	(12,724)	(13,296)
	854,784	801,677

12.1 Cash and cash equivalents

	2020	2019
Cash at bank	5,150	18,122
Cash in hand	6	5
	5,156	18,127

13

13.1 Debtors

	2020	2019
	£000	£000
Accounts receivable	5,667	609
Amounts owed by group undertakings	1,059	1,077
Other debtors	57	56
Prepayments	1,547	1,241
Corporation tax	-	75
	8,330	3,058

13.2 Accounts receivable

	2020	2019
	£000	£000
Repurchases, buybacks and remediation	980	609
Cash in transit	4,687	-
	5,667	609

Cash in transit of £4,687,000 relates 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

	2020	2019
	£000	£000
Trade creditors	**290**	504
Amounts owed to group undertakings	**1,105**	786
Corporation tax (note 14.1)	**(75)**	-
Provision for uncertain tax position (note 14.1)	**9,779**	-
Taxation and social security	**430**	369
Accruals	**5,190**	4,826
VAT payable	**278**	314
	16,997	6,799

14.1 Provision for Uncertain Tax Position

The Corporation tax total of £75k relate to corporation tax instalment payment in 2018 and 2019. This amount is listed in Creditors section as it should be looked at together with the £9,779k Provision for uncertain tax position. The Provision for uncertain tax position includes unwinding of deferred taxed related to 2018 and 2020 for the total of approximately £6,300,000.

14.2

	2020	2019
	£000	£000
Carrying amount at the beginning of the year	**-**	-
Additions during the year	9,779	-
Utilisation/Charge against the provision during the year	-	-
Reversal during the year	-	-
Carrying amount at the end of the year	9,779	-

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

	2020	2019
	£000	£000
Amounts owed to group undertakings	**635,194**	783,553

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. It is possible that beginning in 2022 LIBOR will be discontinued as a reference rate. In Q1 2021 , PRA Group Europe Holding extended its loan facility and as part of the agreement a clause was added which obliges all parties to enter into negotiations after 30 September 2021 and before 31 December 2021 to agree a suitable LIBOR replacement rate together with any consequential amendments to apply from 1 January 2022 onwards.

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

	2020	2019
	£000	£000
Dilapidations provision	**842**	842

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

17 Share capital

	2020	2019
	£000	£000
Allotted and fully paid		
400,002 (2019:400,001) Ordinary Shares of £1 each	**400**	400
Share premium	**239,322**	34,622

17.1

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. A unit share was allotted during the year, with aggregate nominal value of £1. The consideration received for this share was £204,700,000, with £204,699,999 representing the share premium.

Notes *(continued)*

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2020 £000	2019 £000
Accelerated capital allowances	**(135)**	(139)
Other timing differences	**(15)**	(22)
Losses carried forward	**(1,375)**	(4,511)
Tax (assets) / liabilities	**(1,525)**	(4,672)
Net of tax (liabilities)/assets	**-**	-
Net tax (assets) / liabilities	**(1,525)**	(4,672)

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 £447,669 *(2019: £430,822).*

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2020 £000	2019 £000
Less than one year	**863**	852
Between one and five years	**446**	1,260
	1,309	2,112

During the year £998,213 was recognised as an expense in the profit and loss account in respect of operating leases *(2019: £ 986,000).*

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.á.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

Trading conditions in the first half of 2020 were dominated by the global COVID-19 pandemic. The rapid shift to a working from home environment enabled the business to operate effectively throughout the crisis and the company has seen strong performance in 2021 to date. The company is also currently working on a long-term hybrid working model and continues to adhere to government guidelines.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2020 have not been adjusted to reflect their impact.