PROVIDENT INVESTMENTS plc
(Company Number 04541509)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

PROVIDENT INVESTMENTS plc
(Company Number 04541509)

CONTENTS

DIRECTORS' REPORT

Provident Investments plc (the 'company') is a wholly-owned subsidiary of Provident Financial plc which, together with its subsidiaries, forms the Provident Financial group (the 'group'). Provident Financial plc is a public limited company, listed on the London Stock Exchange.

Principal activities

The principal activity of Provident Investments plc was to provide finance and loans through private placement loan notes to Provident Financial plc and its subsidiary companies. The loans were repaid in 2014.

Results, review of business and going concern

The income statement for the year is set out on page 6. The profit for the year of £9,000 (2014: £48,000 loss) has been added to (2014: deducted from) reserves.

The company previously used derivative financial instruments to hedge the interest rate risk and foreign exchange rate risk on its borrowings. The remaining cross currency swaps matured during 2014.

The directors expect that the business will continue in existence for the foreseeable future and the company will be able to meet its liabilities as they fall due. Accordingly, the financial statements of the company have been prepared on a going concern basis.

Exemption from preparing a strategic report

In accordance with section 414B of the Companies Act 2006, the company has taken advantage of the exemption for small companies from preparing a strategic report.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2015 (2014: £nil).

Directors

The directors of the company during the year ended 31 December 2015, all of whom were directors for the whole year then ended and up to the date of this report, were:

K J Mullen
A C Fisher
E G Versluys

Principal risks and uncertainties and financial risk management

The company participates in the group-wide risk management framework of Provident Financial plc. Details of the group's risk management framework together with the group's principal risks and uncertainties are set out in the annual report and financial statements of Provident Financial plc.

The financial and capital risk management policies of the company are set out on page 12.

Key performance indicators (KPIs)

The company solely operated to provide finance to fund the group. All loan notes were repaid in 2014. For this reason, the company's directors believe that analysis using key performance indicators for the statutory company is not necessary or appropriate for an understanding of the development, performance or position of the company.

The development, performance and position of the group as a whole, including the company, is set out in the annual report of Provident Financial plc.

Employee involvement
The company does not have any employees.

Auditor information
In accordance with section 418 of the Companies Act 2006, each person who is a director at the date of this report confirmed that:
(i) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
(ii) he/she has taken all reasonable steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor
Deloitte LLP will continue as auditor to the company for the next financial year.

BY ORDER OF THE BOARD

E G Versluys
Director
Bradford
24 March 2016

PROVIDENT INVESTMENTS plc
(Company Numnber 04541509)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that the directors:

- properly select suitable accounting policies and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

BY ORDER OF THE BOARD

EVersluys

E G Versluys
Director
Bradford
24 March 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVIDENT INVESTMENTS plc

We have audited the financial statements of Provident Investments plc for the year ended 31 December 2015 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in shareholders' equity, the statement of cash flows, the statement of accounting policies, the financial and capital risk management report and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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 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; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report.

S Cumberbatch

Stewart Cumberbatch FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom
24 March 2016

PROVIDENT INVESTMENTS plc
(Company Number 04541509)

INCOME STATEMENT

For the year ended 31 December	Note	2015 £'000	2014 £'000
Revenue	1	**2**	2,085
Operating costs	2	**-**	(2,138)
Administrative costs		**(7)**	(6)
Loss before taxation	3	**(5)**	(59)
Tax credit	4	**14**	11
Profit/(loss) for the year attributable to the equity shareholders		**9**	(48)

All of the above operations relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2015 £'000	2014 £'000
Profit/(loss) for the year attributable to the equity shareholders		**9**	(48)
Other comprehensive income:			
- cash flow hedges	6	**-**	(133)
- tax on other comprehensive income	4	**-**	28
- impact of change of UK tax rate	4	**-**	(2)
Other comprehensive loss for the year		**-**	(107)
Total comprehensive income for the year		**9**	(155)

PROVIDENT INVESTMENTS plc
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BALANCE SHEET

As at 31 December	Note	2015 £'000	2014 £'000
ASSETS			
Non-current assets			
Deferred tax assets	8	**10**	13
Current assets			
Financial assets:			
- cash and cash equivalents	9	**1**	1
- trade and other receivables	7	**365**	358
Current tax assets		**3**	1
		369	360
Total assets		**379**	373
LIABILITIES			
Current liabilities			
Financial liabilities:			
- trade and other payables	10	**(6)**	(9)
		(6)	(9)
Non-current liabilities			
Total liabilities		**(6)**	(9)
NET ASSETS		**373**	364
SHAREHOLDERS' EQUITY			
Share capital	11	**50**	50
Retained earnings		**323**	314
TOTAL SHAREHOLDERS' EQUITY		**373**	364

The financial statements on pages 6 to 18 were approved by the board of directors on 24 March 2016 and signed on its behalf by:

A C Fisher
Director

K J Mullen
Director

PROVIDENT INVESTMENTS plc
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2014		50	107	362	519
Loss for the year		-	-	(48)	(48)
Other comprehensive income:					
- cash flow hedges	6	-	(133)	-	(133)
- tax on other comprehensive income	4	-	28	-	28
- impact of change in UK tax rate	4	-	(2)	-	(2)
Other comprehensive income for the year		-	(107)	-	(107)
Total comprehensive income for the year		-	(107)	(48)	(155)
At 31 December 2014		50	-	314	364
At 1 January 2015		**50**	-	**314**	**364**
Profit for the year		-	-	**9**	**9**
Total comprehensive income for the year		-	-	**9**	**9**
At 31 December 2015		**50**	-	**323**	**373**

STATEMENT OF CASH FLOWS

For the year ended 31 December	2015 £'000	2014 £'000
Profit/(loss) after taxation	**9**	(48)
Adjusted for:		
- interest received	-	1,141
- interest paid	-	(3,306)
- tax credit	**(14)**	(11)
Changes in operating assets and liabilities:		
- derivative financial instruments	-	65
- trade and other receivables	**8**	74,589
- trade and other payables	**(3)**	(34,154)
Net cash generated from operating activities	-	38,276
Cash flow from financing activities		
Repayment of borrowings	-	(38,276)
Net cash used in financing activities	-	(38,276)
Net decrease in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	**1**	1
Cash and cash equivalents at end of year	**1**	1

STATEMENT OF ACCOUNTING POLICIES

General information
The company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is No.1 Godwin Street, Bradford, BD1 2SU.

The principal activity of the company was to provide finance and loans to Provident Financial plc and its subsidiary companies.

Basis of preparation
The financial statements are prepared in accordance with IFRS adopted for use in the European Union (EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006.

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of derivative financial instruments to fair value. In preparing the financial statements, the directors are required to use certain critical accounting estimates and are required to exercise judgement in the application of the company's accounting policies.

Principal accounting policies
The company's principal accounting policies under IFRS, which have been consistently applied to all the years presented.

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 that have had a material impact on the company.

There are no IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

Revenue
Revenue comprises interest income on derivative financial instruments and interest income earned from the parent company on intercompany loans.

Operating costs
Operating costs principally comprise the interest on bank and other borrowings and is recognised on an effective interest rate basis. Operating costs also include amounts payable on those derivative financial instruments held for hedging purposes which do not qualify for hedge accounting under IAS 39.

Foreign currency translation
Transactions that are not denominated in the company's functional currency are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Differences arising on translation are charged or credited to the statement of comprehensive income.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand.

Derivative financial instruments
The company uses derivative financial instruments, principally cross-currency swaps with an interest rate fixing element, to manage the interest rate and foreign exchange rate risk arising from the company's underlying business operations. No transactions of a speculative nature are undertaken.

All derivative financial instruments are assessed against the hedge accounting criteria set out in IAS 39, 'Financial instruments: Recognition and measurement'. Derivative financial instruments that meet the hedge accounting requirements of IAS 39 are accordingly designated as either: hedges of the fair value of recognised assets, liabilities or firm commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments (continued)

The relationship between hedging instruments and hedged items is documented at the inception of a transaction, as well as the risk management objectives and strategy for undertaking various hedging transactions. The assessment of whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items is documented, both at the hedge inception and on an ongoing basis.

Derivative financial instruments are initially recognised at their fair value on the date a derivative contract is entered into and are subsequently re-measured at each reporting date to their fair value. Where derivative financial instruments do not qualify for hedge accounting, movements in their fair value are recognised immediately within the income statement. Where hedge accounting criteria have been met, the resulting gain or loss on the derivative financial instrument is recognised as follows:

Fair value hedges:
Changes in the fair value of derivative financial instruments that are designed and qualify as fair value hedges are recorded in the income statement as part of operating costs, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges:
The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges are recognised in the hedging reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement as part of operating costs. Amounts accumulated in equity are recognised in the income statement when the income or expense on the hedged item is recognised in the income statement.

Hedge accounting for both fair value and cash flow hedges is discontinued when:

- it is evident from testing that a derivative is not, or has ceased to be, highly effective as a hedge; or
- the derivative financial instrument expires, or is sold, terminated or exercised; or
- the underlying hedged item matures or is sold or repaid.

When a cash flow hedging instrument expires or is sold, or when a cash flow hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is transferred to the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was previously reported in equity is immediately transferred to the income statement.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 6. Movements on the hedging reserve in shareholder's equity are shown in the statement of changes in shareholder's equity. The full fair value of a hedging derivative financial instrument is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months from the balance sheet date and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months from the balance sheet date.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Taxation

The tax charge represents the sum of current and deferred tax. Current tax is calculated based on taxable profit for the year using tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is also provided on temporary differences, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

PROVIDENT INVESTMENTS plc
(Company Number 04541509)

FINANCIAL AND CAPITAL RISK MANAGEMENT REPORT

Provident Investments plc (the 'company') is a wholly-owned subsidiary of Provident Financial plc which, together with its subsidiaries, forms the Provident Financial group (the 'group').

The overall group internal control and risk management framework is the responsibility of the group board with certain responsibilities in respect of internal control and risk management being delegated to various sub-committees who report directly to the board. An overview of the group's risk management framework can be found in the annual report of Provident Financial plc.

The group operates with a centralised treasury function and therefore the funding requirements of the company are met wholly or partially via funding from Provident Financial plc or one of its subsidiaries. In addition, the allocation of capital is managed on a group basis by the centralised treasury function. Accordingly, it is inappropriate to consider the management of liquidity risk, interest rate risk, market risk and capital risk on a stand-alone company basis.

The company's activities expose it to credit risk and liquidity risk. These risks are monitored and managed through a centralised treasury function on a group basis. The objective of the group's risk management framework is to identify and assess the risks facing the group and to minimise the potential adverse effects of these risks on the group's financial performance.

Financial and capital risk management is overseen by the group treasury committee and further detail on the group's risk management framework is described in the group annual report.

(a) Credit risk
Credit risk is the risk that the company will suffer loss in the event of a default by a bank counterparty. A default occurs when the bank fails to honour repayments as they fall due. The company's maximum exposure to credit risk on bank counterparties as at 31 December 2015 was £1,000 (2014: £1,000).

Counterparty credit risk arises as a result of cash deposits placed with banks and the use of derivative financial instruments with banks and other financial institutions which are used to hedge interest rate risk and foreign exchange rate risk. Counterparty credit risk is managed by the group's treasury committee and is governed by a board approved counterparty policy which ensures that the group's cash deposits and derivative financial instruments are only made with high quality counterparties with the level of permitted exposure to a counterparty firmly linked to the strength of its credit rating. This is linked to the group's regulatory capital base in line with the group's regulatory reporting requirements on large exposures to the Prudential Regulation Authority (PRA).

(b) Liquidity risk
Liquidity risk is the risk that the company will have insufficient liquid resources available to meet its financial obligations as they fall due.

Liquidity risk is managed by the group's centralised treasury department through daily monitoring of expected cash flows in accordance with a board approved group funding and liquidity policy. This process is monitored regularly by the group treasury committee. The group treasury committee ensures that all group companies have sufficient liquid resources to meet obligations as they fall due.

The group's funding and liquidity policy is designed to ensure that the group is able to continue to fund the growth of the business. The group therefore maintains committed borrowing facilities and access to retail deposit funding through it's subsidiary, Vanquis Bank Limited, to meet forecast borrowing requirements, including contractual maturities for at least the following 12 months. As at 31 December 2015, the group's committed borrowing facilities had a weighted average maturity of 2.8 years (2014: 3.1 years) and the headroom on these committed facilities amounted to £222.3m (2014: £111.5m).

The group is less exposed than other mainstream lenders to liquidity risk as the loans issued by the home credit business, are of short-term duration (typically around one year) whereas the group's borrowings extend over a number of years.

All financial assets and liabilites of the company are due within one year.

NOTES TO THE FINANCIAL STATEMENTS

1 Revenue

	2015 £'000	2014 £'000
Interest income from parent undertaking	2	573
Amounts receivable on cross currency swaps	-	1,577
Net fair value loss on cross currency swaps	-	(65)
Total revenue	2	2,085

2 Operating costs

	2015 £'000	2014 £'000
Interest payable on private placement loan notes	-	1,577
Amounts payable on cross currency swaps	-	561
Total operating costs	-	2,138

3 Loss before taxation

	2015 £'000	2014 £'000
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the financial statements	6	6

There were no non-audit fees paid by the company in the year (2014: £nil).

The company has no employees. The emoluments of the directors are paid by the ultimate parent company, Provident Financial plc, which makes no recharge to the company (2014: no recharge). The directors of the company are also directors of a number of subsidiary companies and it is not possible to make an accurate apportionment of their services in relation to the company.

Retirement benefits accrue to one director (2014: one director) under a money purchase scheme.

Andrew Fisher was a member of the cash balance section of the pension scheme until 4 June 2013 when he transferred the value of his pension rights into Self Invested Personal Pensions (SIPPs).

Three directors (2014: three directors) exercised share options/awards over shares of the company's ultimate parent company, Provident Financial plc, in the year.

4 Tax credit

Tax credit in the income statement	2015 £'000	2014 £'000
Current tax		
- current year	**3**	-
- prior year	**14**	-
Deferred tax (note 8)	**(2)**	12
Impact of change in UK tax rate (note 8)	**(1)**	(1)
Total tax credit	**14**	11

The standard rate of UK corporation tax reduced from 23% to 21% with effect from 1 April 2014 and from 21% to 20% with effect from 1 April 2015 .

During 2015, further reductions in corporation tax rates were enacted, reducing the corporation tax rate from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effect fom 1 April 2020. As the temporary differences on which deferred tax is calculated as at 31 December 2015 are expected to largely reverse after 1 April 2020 (2014: 1 April 2015), deferred tax at 31 December 2015 has been re-measured at 18% (2014: 20%). In 2015, movements in the deferred tax balances have been measured at the statutory corporation tax rate for the year of 20.25% (2014: 21.5%). A tax charge in 2015 of £1,000 (2014: £1,000) represents the income statement adjustment to deferred tax as a result of these changes.

Tax credit on items taken directly to other comprehensive income	2015 £'000	2014 £'000
Current tax credit on cash flow hedges	**-**	28
Impact of change in UK tax rate	**-**	(2)
Total tax credit on items taken directly to other comprehensive income	**-**	26

The rate of tax credited on the loss before taxation for the year is higher than (2014: lower than) the average standard rate of corporation tax in the UK of 20.25% (2014: 21.50%). This can be reconciled as follows:

	2015 £'000	2014 £'000
Loss before taxation	**(5)**	(59)
Loss before taxation multiplied by the average standard rate of corporation tax in the UK of 20.25% (2014: 21.50%)	**1**	13
- impact of change in UK tax rate	**(1)**	(1)
- adjustment in respect of prior years	**14**	(1)
Total tax credit	**14**	11

5 Financial instruments

The following table sets out the carrying value of the company's financial assets and liabilities in accordance with the categories of financial instruments set out in IAS 39. Assets and liabilities outside the scope of IAS 39 are shown within non-financial assets/liabilities:

2015	Loans and receivables £'000	Amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets				
Cash and cash equivalents	1	-	-	1
Trade and other receivables	365	-	-	365
Current tax assets	-	-	3	3
Deferred tax assets	-	-	10	10
Total assets	366	-	13	379
Liabilities				
Trade and other payables	-	(6)	-	(6)
Total liabilities	-	(6)	-	(6)

2014	Loans and receivables £'000	Amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets				
Cash and cash equivalents	1	-	-	1
Trade and other receivables	358	-	-	358
Current tax assets	-	-	1	1
Deferred tax assets	-	-	13	13
Total assets	359	-	14	373
Liabilities				
Trade and other payables	-	(9)	-	(9)
Total liabilities	-	(9)	-	(9)

6 Derivative financial instruments

The company previously used derivative financial instruments to hedge the interest rate risk and foreign exchange rate risk on its borrowings. The company does not enter into speculative transactions or positions.

(a) Hedging reserve movements

The 2014 net charge to the hedging reserve within equity as a result of the changes in the fair value of derivative financial instruments was £133,000.

Under IFRS 13, 'Fair Value Measurement', all derivative financial instruments were classed as Level 2, as they are not traded in an active market and the fair value is therefore determined through discounting future cash flows, using appropriate observable rates.

(b) Charge to the income statement

During 2014 the net charge to the income income statement in the year in respect of the movement in the fair value of derivative financial instruments was £65,000.

(c) Cross currency swaps

The company previously used cross-currency swaps in order to manage the interest rate and foreign exchange rate risk arising on the company's US private placement loan notes issued in 2004.

2004 private placement loan notes

The company put in place cross-currency swaps to swap the principal and fixed rate interest of the US dollar private placement loan notes issued in 2004 into floating rate sterling interest liabilities. The maturity dates of the cross-currency swaps matched the underlying loan notes.

The cross-currency swaps used to hedge the 2004 US dollar private placement loan notes matured in 2014.

The swaps comprised both cash flow hedges and fair value hedges. The cash flow hedge portion of the swaps were designated as cash flow hedges and were effective under IAS 39 until maturity.

The fair value hedge portion of the swaps were designated and were effective under IAS 39 as fair value hedges until the date of maturity. As a result, fair value movements in the swaps were charged to the income statement with a corresponding entry made to the underlying loan notes within borrowings for the effective portion of the swaps, leaving a net credit within the income statement reflecting the net fair value loss (2013: gain) on the fair value hedge up the date of maturity.

During the year to 31 December 2014 the swaps had a range of interest rates from LIBOR + 1.61% to LIBOR + 1.63% and at 31 December 2014 had a weighted average period to maturity of nil years.

The movement in the fair value of the swaps during the year can be analysed as follows:

2004 private placement loan notes	2014 £'000	2015 £'000
Asset at 1 January	5,354	-
Exchange rate movements	(5,156)	-
Net fair value loss charged to the income statement	(65)	-
Charged to the hedging reserve	(133)	-
Asset at 31 December	-	-

The exchange rate credit of £5,156,000 in 2014 reflected the difference between the translation of the 2004 US dollar private placement loan notes up to the date of maturity compared with the contracted rate.

The amount charged to the hedging reserve reflected the difference between the movement in fair value of the cross-currency swaps and the exchange rate movements described above.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Trade and other receivables

Current assets	2015 £'000	2014 £'000
Amounts owed by parent undertaking	**354**	358
Amounts owed by fellow subsidiary undertakings	**11**	-
Total	**365**	358

There are no amounts past due in respect of trade and other receivables due in less than one year (2014: £nil).

Amounts owed by the parent undertaking are unsecured, repayable on demand and generally accrue interest at rates linked to LIBOR.

8 Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method. Deferred tax balances at 31 December 2014 were re-measured at 20% on the basis that the temporary differences on which the deferred tax balances were calculated were expected to reverse after 1 April 2015. In 2015, movements in the deferred tax balances have been measured at the statutory corporation tax rate for the year of 21.25% (2014: 21.50%). During 2015, further reduction in corporation tax rates were enacted, reducing the corporation tax rate from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effeect from 1 April 2020. As the temporary differences on which deferred tax is calculated as at 31 December 2015 are expected to largely reverse after 1 April 2020 (2014: 1 April 2015), deferred tax at 31 December 2015 has been re-measured at 18% (2014: 20%). A tax charge in 2015 of £1,000 (2014: £1,000) represents the income statement adjustment to deferred tax as a result of these changes.

The movement in the deferred tax asset during the year can be analysed as follows:

Asset/(liability)	2015 £'000	2014 £'000
At 1 January	**13**	(24)
(Charge)/credit to the income statement (note 4)	**(2)**	12
Credit on other comprehensive income prior to change in UK tax rate(note 4)	**-**	28
Impact of change in UK tax rate:		
- charge to the income statement (note 4)	**(1)**	(1)
- charge to other comprehensive income	**-**	(2)
At 31 December	**10**	13

9 Cash and cash equivalents

	2015 £'000	2014 £'000
Cash at bank and in hand	**1**	1

All amounts above are denoted in sterling.

Cash and cash equivalents are non-interest bearing (2014: non-interest bearing).

10 Trade and other payables

Current liabilities	2015 £'000	2014 £'000
Amounts owed to fellow subsidiary undertakings	**-**	3
Other payables	**6**	6

10 Trade and other payables (continued)

	2015	2014
Current liabilities	£'000	£'000
Total	**6**	9

The amounts owed to fellow subsidiary undertakings are unsecured, due for repayment in less than one year and generally accrue interest at rates linked to LIBOR.

11 Share capital

Issued and fully paid		2015	2014
Ordinary shares of £1 each	- £'000	**50**	50
	- number ('000)	**50**	50

There are no shares issued and not fully paid at the end of the year (2014: no shares).

12 Related party transactions

Details of the transactions between the company and its parent and fellow subsidiary undertakings, which comprise interest charges or credits on intra-group balances, along with any balances outstanding at 31 December 2015 are set out below:

	Interest credit		Outstanding balance	
	2015	**2014**	**2015**	**2014**
	£'000	**£'000**	**£'000**	**£'000**
Interest income from parent undertaking	**2**	12	**-**	-
Outstanding receivable from parent undertaking	**-**	-	**354**	358
Outstanding receivable from fellow subsidiary undertakings	**-**	-	**11**	-
Outstanding amounts payable to fellow subsidiary undertakings	**-**	-	**-**	3

13 Contingent liabilities

The company is a guarantor in respect of borrowing facilities of the ultimate parent undertaking to a maximum of £1,098.2m (2014: £1,039.5m). At 31 December 2015, the fixed and floating rate borrowings in respect of these guarantees amounted to £865.2m (2014: £906.5m). No loss is expected to arise.

14 Parent undertaking and controlling party

The immediate and ultimate parent undertaking and controlling party is Provident Financial plc, which is the smallest and largest group to consolidate these financial statements. Copies of that company's consolidated financial statements may be obtained from the Company Secretary, Provident Financial plc, No.1 Godwin Street, Bradford, BD1 2SU.