PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

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PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

DIRECTORS' REPORT

Provident Personal Credit Limited (the 'company') is a wholly-owned subsidiary of Provident Financial plc which, together with its subsidiaries, forms the Provident Financial group (the 'group'). The immediate parent to the company is Provident Financial Management Services Limited. Provident Financial plc is a public limited company, listed on the London Stock Exchange.

Principal activities
The principal activity of the company is to provide unsecured home credit loans to customers in the UK and Republic of Ireland. The company also provides unsecured online instalment loans to customers in the UK.

Results
The income statement for the year is set out on page 7. The profit for the year of £61.8m (2014: £72.1m) has been added to reserves.

Dividends
During the year ended 31 December 2015, the directors paid an interim dividend on the ordinary shares of the company of £75.0m (2014: £85.0m), which has been deducted from reserves. The directors do not recommend a final dividend (2014: £nil).

The directors have declared and paid the 5.165% dividend on the preference shares issued in 2002 of £9,130 (2014: £9,130) and the 5.84% dividend on the preference shares issued in 2004 of £7,313 (2014: £7,313).

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 to the date of this report, except where stated, were:

M Stevens	Chairman
T R Anson	
P A McLelland	
A J Parkinson	
S A F Lawrence	(Appointed 1 February 2015)
S W Sinclair	(Appointed 1 June 2015)
L D Enock	(Appointed 1 December 2015)
J H Vardon	(Appointed 22 February 2016)
S D Shaw	(Resigned 31 March 2015)
S M Dickins	(Resigned 15 July 2015)
J R Gillespie	(Resigned 23 November 2015)
H K Patel	(Resigned 23 November 2015)

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 18.

Employee involvement

The company is committed to employee involvement. Employees are kept well informed of the financial and operational performance and strategy of the Consumer Credit Division ('CCD') through weekly huddles, personal briefings and through an increasing use of modern technology. The company now uses social network sites, intranet discussion boards and blogs by employees and managing directors. The company consults with employees regularly, including through employee forums, trade unions and employee surveys, so that their views can be taken into account when making decisions that are likely to affect their interests. CCD plans to relaunch its colleague forum in 2016 with an improved platform which will enable more views and opinions to be heard. They also plan to work with leaders in the business to improve the communication of decisions that create long-term growth for CCD and support the delivery of the division's strategic priorities. The company also provides a wellbeing programme designed to promote physical and mental health. CCD have a gym in their head office facility. The group also has a number of community programmes in place. Employees are also able to share in the group's results through various share schemes.

Equal opportunities

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of gender, pregnancy, race, colour, nationality, ethnic or national origin, disability, sexual orientation, age, marital or civil partner status, gender reassignment or religion or belief. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group including making reasonable adjustments where required. If members of staff become disabled, every effort is made by the group to ensure their continued employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

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 he/she 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
Company Secretary
Bradford
9 March 2016

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

STRATEGIC REPORT

The company's profit before taxation and exceptional items in 2015 was £87.0m (2014: £94.1m). An exceptional restructuring cost of £10.6m has been incurred in 2015 in respect of associated redundancy costs (2014: £3.2m).

The performance in the year reflects the good progress in executing the company's strategic plan to develop a broader based lending business. The repositioning of the Provident home credit business as a smaller, better-quality, more cost-efficient business is complete and delivering strong returns. This success has supported the company's continued investment in developing the Satsuma online loans proposition and the glo guarantor loans business. The strategic development over the last two years has resulted in a significant increase in its return on assets (profit before interest and exceptional items after tax as a percentage of average receivables) from 16.6% in 2014 to 17.5% in 2015.

It is very encouraging to report that credit issued in the home credit business through the fourth quarter of the year was ahead of the fourth quarter of 2014, notwithstanding the planned contraction in the customer base. This has been achieved through a marked improvement in the quality of the book and improved demand supported by the favourable developments to household incomes and the cost of living for home credit customers during 2015.

Overall customer numbers in home credit have shown a year on year reduction of 14.8% to 895,000 (2014: 1,050,000). Over half of the reduction relates to the sale of delinquent low value customer balances to third party debt purchasers. The remaining reduction reflects the tighter credit standards introduced as part of the repositioning of the business in September 2013 which have continued to curtail the recruitment of more marginal customers, improve overall credit quality and shorten the duration of the book. With the repositioning of the home credit business complete, the rate of shrinkage in the home credit receivables of £527.2m is moderating and showed a year on year decrease of 9.5% at December compared with 20.5% at June.

Management continue to adopt a measured approach to growth in Satsuma whilst maintaining a strong focus on developing the distribution channels, the underwriting approach, the IT infrastructure and the management, governance and control processes necessary to support the medium-term growth of the business as well as underpin high customer service levels and positive customer outcomes. During 2015, loan volumes were approximately 150% higher than 2014. Satsuma customer numbers and receivables ended 2015 at 49,000 and £12.1m respectively, up from 21,000 and £5.0m at December 2014.

The guarantor loans pilot has successfully demonstrated the strong demand for longer, larger loans from an underserved area of the non-standard market and will therefore proceed from pilot in 2016. More crucially, the company has been able to develop an effective and sustainable customer journey to ensure that customers receive the same high level of personal service that the group deploys in all its offerings. glo customer numbers and receivables ended 2015 at 4,000 and £10.8m respectively.

Revenue decreased by 9.1% to £515.3m (2014: £566.9m) consistent with the year-on-year reduction in average receivables of 13.5%. The revenue yield (revenue as a percentage of average receivables) remained robust at 103.1%, up from 98.1% in 2014, due to a modest shift in mix towards shorter-term, higher-yielding lending.

Finance costs in 2015 of £37.3m were 13.5% lower than last year reflecting the reduction in average receivables.

The implementation of standardised arrears and collections processes together with a continued marked improvement in credit quality have combined to produce a further significant improvement in arrears. Impairment of amounts receivable from customers decreased by 34.1% to £106.6m (2014: £161.8m); consequently, the ratio of impairment to revenue reduced from 28.5% for 2014 to 20.7% for 2015.

The increase in revenue yield and reduction in impairment produced a significant strengthening in the risk-adjusted margin from 70.1% in 2014 to 81.7% in 2015. Risk-adjusted margin is calculated as revenue less impairment as a percentage of average receivables.

Administrative costs before exceptional items increased by 11.3% to £191.5m (2014: £172.0m) due to higher recharges from the immediate parent undertaking, Provident Financial Management Services Limited, following investment in enhancing IT and business development processes and an increase in regulatory and compliance overheads.

The programme to deploy technology throughout the field operation to implement market-leading compliance and support an improvement in productivity was completed well ahead of schedule in 2015. This allowed a reduction in the field workforce of 470 in 2015. An exceptional restructuring cost of £10.6m has been incurred in 2015 in respect of associated redundancy costs (2014: £3.2m).

Regulatory change

From 1 April 2014, the Financial Conduct Authority (FCA) replaced the Office of Fair Trading (OFT) as the regulator of consumer credit in the UK. All consumer credit firms were required to submit applications for authorisation to the FCA prior to set deadlines. The company has obtained interim permissions under the new regime and submitted its application for full authorisation in May 2015. Whilst the outcome of the regulator's process of reviewing applications carries some inherent uncertainty, the business continues to have a constructive dialogue with the FCA, responding to questions and information requests relevant to obtaining the necessary authorisation.

Going concern

Having considered the cash flow and liquidity requirements of the company and the company's forecasts, the directors expect that the business will continue 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 of accounting. Further details on the basis of preparation is provided on page 11.

The company forms part of the Consumer Credit Division of Provident Financial plc. A full review of the business, results and future prospects of the Consumer Credit Division is set out in the annual report and financial statements of Provident Financial plc.

BY ORDER OF THE BOARD

EVersluys

E G Versluys
Company Secretary
Bradford
9 March 2016

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

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 (IFRS) 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 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 IFRS 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

E G Versluys
Company Secretary
Bradford
9 March 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF PROVIDENT PERSONAL CREDIT LIMITED

We have audited the financial statements of Provident Personal Credit Limited 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 shareholder's equity, the statement of cash flows, the statement of accounting policies, the financial and capital risk management report and the related notes 1 to 27 of the financial statements. 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 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 and strategic 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.

Peter Birch FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
9 March 2016

PROVIDENT PERSONAL CREDIT LIMITED
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INCOME STATEMENT

For the year ended 31 December	Note	2015 £m	2014 £m
Revenue	1	515.3	566.9
Finance income	2	14.9	14.9
Total income		530.2	581.8
Finance costs	3	(37.3)	(43.1)
Operating costs		(214.4)	(272.6)
Administrative costs		(202.1)	(175.2)
Total costs		(453.8)	(490.9)
Profit before taxation	4	76.4	90.9
Profit before taxation and exceptional costs	4	87.0	94.1
Exceptional costs	4	(10.6)	(3.2)
Tax charge	5	(14.6)	(18.8)
Profit for the year attributable to the equity shareholder		61.8	72.1

All of the above operations relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2015 £m	2014 £m
Profit for the year attributable to the equity shareholder		61.8	72.1
Other comprehensive income:			
- fair value movement on cash flow hedges	12	(0.3)	-
- exchange differences on translation of foreign operations		0.7	0.5
Other comprehensive income for the year		0.4	0.5
Total comprehensive income for the year		62.2	72.6

PROVIDENT PERSONAL CREDIT LIMITED
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BALANCE SHEET

As at 31 December	Note	2015 £m	2014 £m
ASSETS			
Non-current assets			
Property, plant and equipment	9	3.1	3.4
Financial assets:			
- amounts receivable from customers	10	65.5	55.3
Deferred tax assets	15	-	0.5
		68.6	59.2
Current assets			
Financial assets:			
- amounts receivable from customers	10	484.6	532.8
- derivative financial instruments	12	-	0.2
- trade and other receivables	13	205.9	202.5
- cash and cash equivalents	16	7.2	7.1
		697.7	742.6
Total assets		766.3	801.8
LIABILITIES			
Current liabilities			
Financial liabilities:			
- bank and other borrowings	17	(0.2)	(0.7)
- derivative financial instruments	12	(0.2)	-
- trade and other payables	18	(628.9)	(645.2)
Current tax liabilities		(6.6)	(13.0)
		(635.9)	(658.9)
Non-current liabilities			
Financial liabilities:			
- preference shares	19	(0.3)	(0.3)
		(0.3)	(0.3)
Total liabilities		(636.2)	(659.2)
NET ASSETS		130.1	142.6
SHAREHOLDER'S EQUITY			
Share capital	20	71.5	71.5
Share premium		1.0	1.0
Other reserves	22	0.5	2.0
Retained earnings		57.1	68.1
TOTAL SHAREHOLDER'S EQUITY		130.1	142.6

The financial statements on pages 7 to 36 were approved and authorised for issue by the board of directors on 9 March 2016 and signed on its behalf by:

M Stevens
Director

P A McLelland
Director

PROVIDENT PERSONAL CREDIT LIMITED
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STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2014		71.5	1.0	2.0	80.1	154.6
Profit for the year		-	-	-	72.1	72.1
Other comprehensive income:						
- exchange differences on translation of foreign operations		-	-	-	0.5	0.5
Other comprehensive income for the year		-	-	-	0.5	0.5
Total comprehensive income for the year		-	-	-	72.6	72.6
Transactions with owners:						
- share-based payment charge	21	-	-	0.4	-	0.4
- transfer of share-based payment reserve		-	-	(0.4)	0.4	-
- dividends	6	-	-	-	(85.0)	(85.0)
At 31 December 2014		71.5	1.0	2.0	68.1	142.6
At 1 January 2015		71.5	1.0	2.0	68.1	142.6
Profit for the year		-	-	-	61.8	61.8
Other comprehensive income:						
- fair value movement on cash flow hedges	12	-	-	(0.3)	-	(0.3)
- exchange differences on translation of foreign operations		-	-	-	0.7	0.7
Other comprehensive income for the year		-	-	(0.3)	0.7	0.4
Total comprehensive income for the year		-	-	(0.3)	62.5	62.2
Transactions with owners:						
- share-based payment charge	21	-	-	0.3	-	0.3
- transfer of share-based payment reserve		-	-	(1.5)	1.5	-
- dividends	6	-	-	-	(75.0)	(75.0)
At 31 December 2015		71.5	1.0	0.5	57.1	130.1

Other reserves are further analysed in note 22.

PROVIDENT PERSONAL CREDIT LIMITED
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STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2015 £m	2014 £m
Cash flows from operating activities			
Cash generated from operations	26	114.1	200.8
Finance costs paid		(37.3)	(43.1)
Finance income received		14.9	14.9
Tax paid		(15.4)	(8.1)
Net cash generated from operating activities		76.3	164.5
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(1.2)	(1.2)
Proceeds from disposal of property, plant and equipment	9	0.5	0.5
Acquisition of Greenwood Personal Credit Limited		-	(80.3)
Net cash used in investing activities		(0.7)	(81.0)
Cash flows from financing activities			
Dividends paid to company shareholder	6	(75.0)	(85.0)
Net cash used in financing activities		(75.0)	(85.0)
Net increase/(decrease) in cash, cash equivalents and overdrafts		0.6	(1.5)
Cash, cash equivalents and overdrafts at beginning of year		6.4	5.6
Cash and cash equivalents acquired with Greenwood Personal Credit Limited		-	2.3
Cash, cash equivalents and overdrafts at end of year		7.0	6.4
Cash, cash equivalents and overdrafts at end of year comprise:			
Cash at bank and in hand	16	7.2	7.1
Overdrafts (held in bank and other borrowings)	17	(0.2)	(0.7)
Total cash, cash equivalents and overdrafts		7.0	6.4

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

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, West Yorkshire, BD1 2SU.

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.

The company's principal accounting policies under IFRS, which have been consistently applied to all years presented unless otherwise stated, are set out below.

(a) New and amended standards adopted by the company:

'Defined benefit plans: Employee contributions (amendments to IAS 19 (Nov 2013))' simplifies the accounting for contributions that are independent of the number of years of employee service (e.g.employee contributions that are calculated according to a fixed percentage of salary). The amendment is mandatory for accounting periods starting on or after 1 July 2014. The amendment was adopted from 1 January 2015 following endorsement by the EU in December 2014, and did not have a material impact on the group or company.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not early adopted:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The final version of the standard was issued in July 2014. The standard primarily impacts the classification and measurement of financial assets and liabilities and introduces the 'expected credit loss' model for the measurement of the impairment of financial assets so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. The company is in the process of assessing the impact of the standard and will adopt the standard in line with the mandatory effective date 1 January 2018, subject to endorsement by the EU.

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and provides a model for the identification of lease arrangements and the treatment in the financial statements of both lessees and lessors. The standard distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard requires the recognition of a lease liability, being the present value of the lease payments, and a right-to-use asset which will initially be recognised at the same value of the lease liability. This applies to both finance leases and operating leases, which would previously have been held off balance sheet. The company is in the process of assessing the impact of the standard and will adopt the standard from the expected effective date of 1 January 2019, subject to endorsement by the EU.

Revenue

Revenue comprises interest income earned and represents the charge payable by the customer on the amount of credit advanced by the company. Revenue excludes value added tax.

Revenue recognition

Revenue on customer receivables is recognised using an effective interest rate. The effective interest rate is calculated using estimated cash flows, being contractual payments adjusted for the impact of customers repaying early but excluding the anticipated impact of customers paying late or not paying at all. Directly attributable incremental issue costs are also taken into account in calculating the effective interest rate. Interest income continues to be accrued on impaired receivables using the original effective interest rate applied to the loan's carrying value.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Finance income
Finance income comprises interest income earned from the parent undertaking on intercompany loans.

Finance costs
Finance costs principally comprise the interest on bank borrowings and on intra-group loan arrangements, and are recognised on an effective interest rate basis.

Foreign currency translation
Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The company operates primarily in the UK and Republic of Ireland. The company's financial statements are presented in sterling, which is the company's functional and presentational currency.

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 the relevant functional currency at the exchange rates ruling at the balance sheet date. Differences arising on translation are charged or credited to the statement of comprehensive income.

If a foreign operation were to be disposed of, the cumulative amount of the exchange differences arising on translation recognised in other comprehensive income would be recognised in the income statement when the gain or loss on disposal is recognised.

Amounts receivable from customers
All customer receivables are initially recognised at the amount loaned to the customer plus directly attributable incremental issue costs. After initial recognition, customer receivables are subsequently measured at amortised cost. Amortised cost is the amount of the customer receivable at initial recognition less customer repayments, plus revenue earned calculated using the effective interest rate, less any deduction for impairment.

The company assesses whether there is objective evidence that customer receivables have been impaired at each balance sheet date. The principal criterion for determining whether there is objective evidence of impairment is delinquency in contractual payments.

Within the weekly home credit business, objective evidence of impairment is based on the payment performance of loans in the previous 12 weeks as this is considered to be the most appropriate indicator of credit quality in the short-term cash loans business. Loans are deemed to be impaired when the cumulative amount of two or more contractual weekly payments have been missed in the previous 12-week period since only at this point do the expected future cash flows from loans deteriorate significantly. Loans with the equivalent of one missed weekly payment over the previous 12-week period are not deemed to be impaired. The impairment loss is calculated on a portfolio basis by reference to arrears stages and is measured as the difference between the carrying value of the loans and the present value of estimated future cash flows discounted at the original effective interest rate. Subsequent cash flows are regularly compared to estimated cash flows to ensure that the estimates are sufficiently accurate for impairment provisioning purposes.

Within the weekly Satsuma business, objective evidence of impairment is based on the contractual payment performance of loans; loans are deemed to be impaired when the cumulative amount of two or more contractual weekly payments have been missed since only at this point do the expected future cash flows from loans deteriorate significantly. Loans with the equivalent of one missed weekly payment are not deemed to be impaired. The impairment loss is calculated on a portfolio basis by reference to arrears stages and is measured as the difference between the carrying value of the loans and the present value of estimated future cash flows discounted at the original effective interest rate. Subsequent cash flows are regularly compared to estimated cash flows to ensure that the estimates are sufficiently accurate for impairment provisioning purposes.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Amounts receivable from customers (continued)
Within glo, where repayments are typically made monthly, customer balances are deemed to be impaired when one monthly contractual payment is missed. Impairment is calculated as the difference between the carrying value of receivables and the present value of estimated future cash flows discounted at the original effective interest rate. Estimated future cash flows are based on the historical performance of customer balances falling into different arrears stages and are regularly assessed.

Impairment charges are deducted directly from the carrying value of receivables.

Impairment charges and reversals are charged/credited to the income statement as part of operating costs.

Property, plant and equipment
Property, plant and equipment is shown at cost less subsequent depreciation and impairment.

Cost represents invoiced cost plus any other costs that are directly attributable to the acquisition of the items. Repairs and maintenance costs are expensed as incurred.

Depreciation is calculated to write down assets to their estimated realisable value over their useful economic lives. The following are the principal bases used:

	%	Method
Equipment (including computer hardware)	10 to 33.3	Straight-line
Motor vehicles	25	Reducing balance

The residual values and useful economic lives of all assets are reviewed, and adjusted if appropriate, at each balance sheet date.

All items of property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use or its fair value less costs to sell.

Gains and losses on disposal of property, plant and equipment are determined by comparing any proceeds with the carrying amount of the asset and are recognised within administrative costs in the income statement.

Depreciation is charged to the income statement as part of administrative costs.

Leases
Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All current leases held are operating leases. Costs in respect of operating leases are charged to the income statement on a straight line basis over the lease term.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand. Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Borrowings
Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the expected life of the borrowings using the effective interest rate.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative financial instruments
The company uses derivative financial instruments, principally forward contracts, to manage the 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'. The company has designated all its derivative financial instruments as hedges of highly probable forecast transactions (cash flow hedges), in line with IAS 39.

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 used in hedging transactions are highly effective in offsetting changes in 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 the fair value are recognised immediately within the statement of comprehensive income.

Where hedge accounting criteria is met for the derivative financial instruments designated and qualifying as cash flow hedges, the effective portion of changes in the fair value of derivative financial instruments 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 finance costs. Amounts deferred 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 is discontinued when:

- it is evident from testing that a derivative financial instrument 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 deferred in equity at that time is immediately transferred to the statement of comprehensive income.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 12. Movements on the hedging reserve in shareholder's equity are shown in note 22. The full fair value of a 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.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Dividends
Dividend distributions to the company's shareholder are recognised in the financial statements as follows:

Final dividend: when approved by the company's board of directors.

Interim dividend: when paid by the company.

Retirement benefits
Defined benefit pension schemes:
The company participates in the Provident Financial Staff Pension Scheme, a multi-employer scheme, sponsored by Provident Financial plc. As there is no contractual agreement for charging the company a portion of the defined benefit costs of the plan as a whole, the company recognises their cash contributions on an accruals basis.

Defined contribution pension schemes:
For defined contribution schemes the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Cash contributions to defined contribution pension schemes are charged to the income statement on an accruals basis.

Share-based payments
Equity-settled schemes:
The company grants options under employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)) and makes awards under the Performance Share Plan (PSP) and the Long Term Incentive Scheme (LTIS). All of these schemes are equity-settled.

The cost of providing options and awards to company employees is charged to the income statement of the company over the vesting period of the related options and awards. The corresponding credit is made to a share-based payment reserve within equity.

The cost of options and awards is based on their fair value. For PSP schemes, the performance conditions are based on earnings per share (EPS). Accordingly, the fair value of options and awards is determined using a binomial option pricing model which is a suitable model for valuing options with internal related targets such as EPS. A binomial model is also used for calculating the fair value of SAYE options which have no performance conditions attached. The value of charge is adjusted at each balance sheet date to reflect lapses and expected or actual levels of vesting, with a corresponding adjustment to the share-based payment reserve.

For LTIS schemes, performance conditions are based on divisional profit before taxation targets. Accordingly, the fair value of awards is determined using a binomial option pricing model. The value of the charge is adjusted at each balance sheet date to reflect lapses.

A transfer is made from the share-based payment reserve to retained earnings when options and awards vest or lapse.

Share-based payments (continued)
Cash-settled schemes:
The company also grants awards under the Provident Financial Equity Plan (PFEP) to eligible employees based on a percentage of their salary. The cost of the awards is based on the performance conditions of divisional profit before tax and share price growth. The scheme is cash settled.

The cost of the award is charged to the income statement over the vesting period and a corresponding credit is made within liabilities. The value of the charge is adjusted at each balance sheet date to reflect expected levels of vesting.

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.

Exceptional costs
Exceptional costs are costs that are unusual because of their size, nature or incidence and which the directors consider should be disclosed separately to enable a full understanding of the company's results.

Taxation
The tax entries represent 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 arising on investments in subsidiaries, 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 profits 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.

Key assumptions and estimates
In applying the accounting policies set out above, the company makes significant estimates and assumptions that affect the reported amounts of assets and liabilities as follows:

Amounts receivable from customers
The company reviews its portfolio of loans and receivables for impairment at each balance sheet date. For the purposes of assessing the impairment of customer loans and receivables, customers are categorised into arrears stages as this is considered to be the most reliable predictor of future payment performance. The company makes judgements to determine whether there is objective evidence which indicates that there has been an adverse effect on expected future cash flows. In the weekly home credit business, receivables are deemed to be impaired when the cumulative amount of two or more contractual weekly payments have been missed in the previous 12 weeks, since only at this point do the expected future cash flows from loans deteriorate significantly. In the weekly Satsuma business, receivables are deemed to be impaired when the cumulative amount of two or more contractual weekly payments have been missed. Customer accounts in glo are deemed to be impaired when one contractual monthly payment has been missed.

The level of impairment is calculated using models which use historical payment performance to generate the estimated amount and timing of future cash flows from each arrears stage, and are regularly tested using subsequent cash collections to ensure they retain sufficient accuracy. The impairment models are regularly reviewed to take account of the current economic environment, product mix and recent customer payment performance. However, on the basis that the payment performance of customers could be different from the assumptions used in estimating future cash flows, a material adjustment to the carrying value of amounts receivable from customers may be required.

To the extent that the net present value of estimated future cash flows differs by +/- 1%, it is estimated that the amounts receivable from customers would be approximately £5.5m (2014: £5.9m) higher/lower.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

FINANCIAL AND CAPITAL RISK MANAGEMENT

Provident Personal Credit Limited (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, foreign exchange risk, market risk and capital risk on a stand-alone company basis.

(a) Credit risk
Credit risk is the risk that the company will suffer loss in the event of a default by a customer or a bank counterparty. A default occurs when the customer or bank fails to honour repayments as they fall due.

(i) Amounts receivable from customers
The company's maximum exposure to credit risk on amounts receivable from customers as at 31 December 2015 is the carrying value of amounts receivable from customers of £550.1m (2014: £588.1m).

During the period the Consumer Credit Division ('CCD') managed credit risk through the CCD credit risk management committee, meeting monthly and with responsibility for the effective management and control of credit risk.

Credit risk is managed using a combination of lending policy criteria, credit scoring (including behavioural scoring), policy rules, individual lending approval limits, central underwriting, affordability assessment processes, and a home visit in the home credit business to make a decision on applications for credit.

The loans offered by the weekly home credit business are short-term, typically a contractual period of around a year, with an average value of around £500. The loans are underwritten in the home by an agent with emphasis placed on any previous lending experience with the customer and the agent's assessment of the credit risk based on a completed application form and the home visit. Once a loan has been made, the agent visits the customer weekly to collect the weekly payment. The agent is well placed to identify signs of strain on a customer's income and can moderate lending accordingly. Equally, the regular contact and professional relationship that the agent has with the customer allows them to manage customers' repayments effectively even when the household budget is tight. This can be in the form of taking part-payments, allowing missed payments or other payment arrangements in order to support customers with their repayments.

Agents are paid commission almost entirely for what they collect and not for what they lend, so their primary focus is on ensuring loans are affordable at the point of issue and then on collecting cash. Affordability is reassessed by the agent each time an existing customer is re-served, or not as the case may be. This normally takes place within 12 months of the previous loan because of the short-term nature of the product.

Arrears management within the home credit business is a combination of central letters, central telephony, and field activity undertaken by field management. This will often involve a home visit to discuss the customer's reasons for non-payment and to agree the approach going forwards.

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)
The loans offered by the weekly Satsuma business are short-term, with a contractual period of between 13 and 52 weeks and an average value of around £300. The loans are underwritten using decision engines and scorecards, enhanced with the use of external credit bureau data, and regularly refined as the business grows. An affordability assessment is performed on all customers.

Satsuma collections processes have been successfully embedded into the collections capabilities at Vanquis Bank. Contact centre representatives are engaged at an early stage to optimise collections performance and work closely with customers, and for those customers whose circumstance have changed, representatives will utilise their extensive range of forbearance measures.

The loans offered by the monthly glo business are larger, longer loans with a contractual period of between one and five years and an average value of £3,000. The loans are underwritten through a bespoke credit scoring engine using a range of data sources including use of external credit bureau data. An affordability assessment is performed on both the borrower and the guarantor.

glo collections processes have been successfully embedded into the collections capabilities at Vanquis Bank. Immediate contact is made with customers who miss payments, and the guarantor is informed; every effort is made to collect from the borrower, including multiple forbearance methods, before the guarantor is required to make payment.

(ii) Counterparty risk
The company's maximum exposure to credit risk on bank counterparties as at 31 December 2015 was £0.1m (2014: £0.3m).

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. In addition, there is a maximum exposure limit for all institutions, regardless of 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 fulfil its operational plans and/or 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'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 its subsidiary, Vanquis Bank Limited, to meet forecast borrowing requirements, including contractual maturities, at all times 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 CCD are of short-term duration (typically around one year), whereas the group's borrowings extend over a number of years.

A maturity analysis of the undiscounted contractual cash flows of the group's bank and other borrowings, including derivative financial instruments settled on a net and gross basis, is set out in the annual report of Provident Financial plc.

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk
Interest rate risk is the risk of a change in external interest rates which leads to an increase in the company's cost of borrowing.

The group's exposure to movements in interest rates is managed by the group treasury committee and is governed by a board-approved interest rate hedging policy which forms part of the group's treasury policies.

The group seeks to limit the net exposure to changes in interest rates. This is achieved through a combination of issuing fixed-rate debt and by the use of derivative financial instruments such as interest rate swaps.

A 2% movement in the interest rate applied to borrowings during 2015 and 2014 would not have had a material impact on the group's profit before taxation or equity as the group's interest rate risk was substantially hedged. Further details of the interest rate risk management are detailed within the annual report of Provident Financial plc.

(d) Foreign exchange rate risk
Foreign exchange rate risk is the risk of a change in foreign currency exchange rates leading to a reduction in profits or equity.

The group's exposure to movements in foreign exchange rates is monitored monthly by the group treasury committee and is governed by a board-approved foreign exchange rate risk management policy which forms part of the group's treasury policies.

The group's exposures to foreign exchange rate risk arise solely from: (i) the home credit operations in the Republic of Ireland which are hedged by matching euro-denominated net assets with euro-denominated borrowings or forward contracts as closely as practicable; (ii) the Vanquis pilot operations in Poland, which was hedged by matching zloty-denominated net assets with zloty-denominated borrowings or forward contracts as closely as practicable; and (iii) the available for sale investment related to Vanquis Bank's interest in Visa Europe which consists of up front euro cash consideration, which is hedged through matching the cash consideration with euro-denominated borrowings, and deferred consideration of preferred stock which is convertible into US dollar-denominated Class A common stock of Visa Inc on completion of the transaction. Due to the inherent uncertainty of the valuation and timing of completion, the valuation of the common stock is not hedged.

As at 31 December 2015, a 2% movement in the sterling to euro exchange rate would have led to a £1.1m (2014: £1.1m) movement in customer receivables with an opposite movement of £1.1m (2014: £1.1m) in external borrowings. Due to the natural hedging of matching euro-denominated assets with euro-denominated liabilities and forward foreign exchange contracts to sell euro profits, there would have been a minimal impact on reported profits or equity of the company (2014: £nil).

Further detail of the foreign exchange rate risk management are detailed within the annual report of Provident Financial plc.

(e) Market risk
Market risk is the risk of loss due to adverse market movements caused by active trading positions taken in interest rates, foreign exchange markets, bonds and equities. The company's and group's corporate policies do not permit it or the group to undertake position taking or trading books of this type and therefore neither it nor the group does so.

(f) Capital risk
Capital risk is managed by the group's centralised treasury department. The group manages capital risk by focussing on capital efficiency and effective risk management. This aims to maintain sufficient, but not excessive, financial strength, optimise the debt to equity structure of the company and support dividend payments to the parent. This takes into account the requirements of a variety of different stakeholders including shareholders, policyholders, regulators and rating agencies. A more detailed explanation of the management of capital risk can be found in the annual report of Provident Financial plc.

NOTES TO THE FINANCIAL STATEMENTS

1 Revenue

	2015	2014
	£m	£m
Interest income	515.3	566.9

2 Finance income

	2015	2014
	£m	£m
Interest receivable from parent undertaking	14.9	14.9

3 Finance costs

	2015	2014
	£m	£m
Interest payable to ultimate parent undertaking	37.3	43.1

The preference dividends paid in the year in respect of the preference shares issued in 2002 (coupon rate 5.165%) and 2004 (coupon rate 5.84%) were 0.05p (2014: 0.05p) and 0.06p (2014: 0.06p) per share respectively. The total annual preference dividend cost was £16,443 (2014: £16,443).

4 Profit before taxation

	2015	2014
	£m	£m
Profit before taxation is stated after charging:		
Depreciation of property, plant and equipment (note 9)	1.0	0.9
Operating lease rentals:		
- property	0.7	0.3
Employment costs (prior to exceptional redundancy costs (note 8(b)))	54.7	65.0
Exceptional redundancy costs (note 8(b))	10.6	3.2
Impairment of amounts receivable from customers (note 10)	106.6	161.8

An exceptional cost in 2015 of £10.6m represents redundancy costs associated with 470 employees following a business restructuring within the company and the ongoing deployment of technology. The exceptional cost in 2014 of £3.2m related to redundancy costs associated with 210 employees following a business restructuring within the company and the deployment of technology.

Auditor's remuneration payable to Deloitte LLP in respect of the audit of the company's financial statements is £66,000 (2014: £36,000). There were no non-audit fees paid in the year (2014: £nil).

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Tax charge

Tax charge in the income statement	2015 £m	2014 £m
Current tax		
- UK	(13.4)	(17.6)
- Overseas	(0.7)	(0.7)
Deferred tax (note 15)	(0.5)	(0.5)
Total tax charge	(14.6)	(18.8)

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 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%). 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 credit of £nil (2014: £nil) represents the income statement adjustment to deferred tax as a result of these changes.

The rate of tax charge on the profit before taxation for the year is lower than (2014: lower than) the average standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). This can be reconciled as follows:

	2015 £m	2014 £m
Profit before taxation	76.4	90.9
Profit before taxation multiplied by the average standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	(15.5)	(19.6)
Effect of:		
- adjustment in respect of prior years	-	0.2
- impact of permanent differences	(0.1)	-
- impact of non-taxable income	0.5	-
- benefit of lower rates overseas	0.5	0.6
Total tax charge	(14.6)	(18.8)

6 Dividends

		2015 £m	2014 £m
2014 interim	- 29.7p per share	-	85.0
2015 interim	- 26.2p per share	75.0	-
Dividends paid		75.0	85.0

7 Directors' remuneration

The emoluments of the directors are paid by the parent company, Provident Financial Management Services Limited, and recharged to the company as part of a management charge. This management charge also includes a recharge of administrative costs borne by the parent company on behalf of the company and it is not possible to identify separately the amount relating to each director's emoluments. The emoluments of these directors are disclosed in the financial statements of Provident Financial Management Services Limited.

During the year, two directors exercised share options under share incentive schemes (2014: three).

8 Employee information

(a) The average monthly number of persons employed by the company was as follows:

	2015 Number	2014 Number
Administrative	219	454
Operations	1,050	1,181
Total	1,269	1,635
Analysed as:		
Full time	1,162	1,386
Part time	107	249
Total	1,269	1,635

(b) Employment costs

	2015 £m	2014 £m
Aggregate gross wages and salaries paid to the company's employees	40.4	48.4
Employer's National Insurance contributions	4.4	5.7
Pension charge (note 14)	9.6	10.5
Share-based payment charge (note 21)	0.3	0.4
Total employment costs prior to exceptional redundancy costs	54.7	65.0
Exceptional redundancy costs (note 4)	10.6	3.2
Total employment costs	65.3	68.2

All the above employee information excludes directors whose remuneration is paid by Provident Financial Management Services Limited. These costs are recharged to the company as a management recharge at the year end.

The pension charge comprises contributions to the defined benefit and stakeholder pension plan (see note 14).

9 Property, plant and equipment

	Equipment and vehicles	
	2015	2014
	£m	£m
Cost		
At 1 January	7.4	7.5
Additions	1.2	1.2
Disposals	(1.2)	(1.3)
At 31 December	7.4	7.4
Accumulated depreciation		
At 1 January	4.0	3.9
Charged to the income statement	1.0	0.9
Disposals	(0.7)	(0.8)
At 31 December	4.3	4.0
Net book value at 31 December	3.1	3.4
Net book value at 1 January	3.4	3.6

The profit on disposal of property, plant and equipment in 2015 amounted to £nil (2014: £nil) and represented proceeds received of £0.5m (2014: £0.5m) less the net book value of disposals of £0.5m (2014: £0.5m).

10 Amounts receivable from customers

	2015			2014		
	Due within one year	Due in more than one year	Total	Due within one year	Due in more than one year	Total
	£m	£m	£m	£m	£m	£m
Amounts receivable from customers	484.6	65.5	550.1	532.8	55.3	588.1

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows discounted at the effective interest rate. The average effective interest rate for the year ended 31 December 2015 was 114% (2014: 112%).

The average period to maturity of the amounts receivable from customers is 6.3 months (2014: 5.7 months).

The credit quality of amounts receivable from customers is as follows:

	2015	2014
Credit quality of amounts receivable from customers	£m	£m
Neither past due nor impaired	282.5	258.4
Past due but not impaired	58.6	64.6
Impaired	209.0	265.1
Total	550.1	588.1

Past due but not impaired balances relate to loans which are contractually overdue. However, contractually overdue loans are not deemed to be impaired unless the customer has missed two or more cumulative weekly payments in the previous 12-week period since only at this point do the expected future cash flows from loans deteriorate significantly.

10 Amounts receivable from customers (continued)

The following table sets out the ageing analysis of past due but not impaired balances based on contractual arrears since the inception of the loan:

Ageing analysis of past due but not impaired balances	2015 £m	2014 £m
One week overdue	41.5	44.8
Two weeks overdue	10.0	11.6
Three weeks or more overdue	7.1	8.2
Past due but not impaired	58.6	64.6

Impairment is deducted directly from amounts receivable from customers without the use of an allowance account.

An impairment charge of £106.6m (2014: £161.8m) in respect of amounts receivable from customers is reflected within the operating costs for the year.

The currency profile of amounts receivable from customers is as follows:

Currency profile of amounts receivable from customers	2015 £m	2014 £m
Sterling	495.0	534.2
Euro	55.1	53.9
Total	550.1	588.1

The fair value of amounts receivable from customers is approximately £0.8 billion (2014: £0.9 billion). Fair value has been derived by discounting expected future cash flows (net of collection costs) at the group's weighted average cost of capital at the balance sheet date.

Under IFRS 13, 'Fair Value Measurement', receivables are classed as Level 3 as they are not traded on an active market and the fair value is therefore determined through future cash flows.

11 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 £m	Amortised cost £m	Hedging derivatives £m	Non-financial assets/ liabilities £m	Total £m
Assets					
Cash and cash equivalents	7.2	-	-	-	7.2
Amounts receivable from customers	550.1	-	-	-	550.1
Trade and other receivables	205.9	-	-	-	205.9
Property, plant and equipment	-	-	-	3.1	3.1
Total assets	763.2	-	-	3.1	766.3
Liabilities					
Bank and other borrowings	-	(0.2)	-	-	(0.2)
Trade and other payables	-	(628.9)	-	-	(628.9)
Derivative financial instruments	-	-	(0.2)	-	(0.2)
Current tax liabilities	-	-	-	(6.6)	(6.6)
Preference shares	-	-	-	(0.3)	(0.3)
Total liabilities	-	(629.1)	(0.2)	(6.9)	(636.2)

2014	Loans and receivables £m	Amortised cost £m	Hedging derivatives £m	Non-financial assets/ liabilities £m	Total £m
Assets					
Cash and cash equivalents	7.1	-	-	-	7.1
Amounts receivable from customers	588.1	-	-	-	588.1
Derivative financial instruments	-	-	0.2	-	0.2
Trade and other receivables	202.5	-	-	-	202.5
Property, plant and equipment	-	-	-	3.4	3.4
Deferred tax assets	-	-	-	0.5	0.5
Total assets	797.7	-	0.2	3.9	801.8
Liabilities					
Bank and other borrowings	-	(0.7)	-	-	(0.7)
Trade and other payables	-	(645.2)	-	-	(645.2)
Current tax liabilities	-	-	-	(13.0)	(13.0)
Preference shares	-	-	-	(0.3)	(0.3)
Total liabilities	-	(645.9)	-	(13.3)	(659.2)

12 Derivative financial instruments

The company uses foreign exchange contracts in order to manage the foreign exchange rate risk arising from the company's operations in the Republic of Ireland. The company does not enter into speculative transactions or positions. A liability of £0.2m is held in the company balance sheet as at 31 December 2015 in respect of foreign exchange contracts (2014: asset of £0.2m).

The company's foreign exchange contracts comprise forward foreign exchange contracts to buy sterling for a total notional amount of £9.0m (2014: £6.5m). These contracts have a range of maturity dates from 18 January 2016 to 13 December 2016 (2014: 20 January 2015 to 20 October 2015). These contracts were designated and were effective under IAS 39 as cash flow hedges in the year and, accordingly, the movement in fair value of £0.3m has been charged to the hedging reserve within equity (2014: £nil).

The fair value of derivative financial instruments has been calculated by discounting contractual future cash flows using relevant market interest rate yield curves and foreign exchange rates prevailing at the balance sheet date. Under IFRS 13, 'Fair Value Measurement' these are therefore classed as Level 2 financial instruments.

13 Trade and other receivables

	2015	2014
Current assets	£m	£m
Other receivables	1.2	2.2
Amounts owed by parent undertaking	200.0	200.0
Prepayments and accrued income	4.7	0.3
Total	205.9	202.5

Amounts owed by parent undertaking is unsecured, repayable on demand or within one year and generally accrue interest at rates linked to LIBOR.

The maximum exposure to credit risk of trade and other receivables is the carrying value of each class of receivable set out above. There is no collateral held in respect of trade and other receivables (2014: £nil).

The fair value of trade and other receivables equates to their book value.

14 Retirement benefits

The company's employees participate in both defined benefit and defined contribution pension schemes.

(a) Pension schemes - defined benefit

In order to provide its employees with a defined benefit pension, the company participates in the Provident Financial Staff Pension Scheme. This scheme has been substantially closed to new members since 1 January 2003.

All future benefits in the scheme are now provided on a 'cash balance' basis, with a defined amount being made available at retirement, based on a percentage of salary that is revalued up to retirement with reference to increases in price inflation. This retirement account is then used to purchase an annuity on the open market.

The scheme also provides pension benefits that were accrued in the past on a final salary basis, but which are no longer linked to final salary.

The scheme also provides death benefits.

14 Retirement benefits (continued)

The scheme is a multi-employer scheme, sponsored by Provident Financial plc and, although the company participates in the scheme, there is no contractual agreement for charging the company a portion of the defined benefit costs of the plan as a whole. In accordance with IAS 19, 'Employee benefits', the company recognises the contributions payable in respect of its current employees in its individual financial statements, similar to the treatment of a defined contribution scheme. In 2015 these contributions amounted to £8.3m (2014: £9.1m). The expected contributions to the defined benefit pension scheme in the year ending 31 December 2016 are approximately £7.9m.

In accordance with IAS 19, the sponsoring company, Provident Financial plc, and the consolidated group, recognises the defined benefit cost and the retirement benefit asset in respect of the Provident Financial Staff Pension Scheme.

The retirement benefit asset reflects the difference between the present value of the group's obligation to current and past employees to provide a defined benefit pension and the fair value of assets held to meet that obligation. As at 31 December 2015, the fair value of the assets exceeded the obligation and hence a net pension asset has been recorded in the group's financial statements.

In participating in a defined benefit scheme, the company is exposed to a number of risks, the most significant of which are as follows:

- Investment risk – the liabilities for IAS 19 purposes are calculated using a discount rate set with reference to corporate bond yields. If the assets underperform this yield a deficit will arise. The scheme has a long-term objective to reduce the level of investment risk by investing in assets that better match the liabilities.
- Change in bond yields – a decrease in corporate bond yields will increase the liabilities, although this will be partly offset by an increase in matching assets.
- Inflation risk – part of the liabilities are linked to inflation. If inflation increases then the liabilities will increase, although this will be partly offset by an increase in assets. As part of the long-term de-risking strategy, the scheme will further increase its portfolio in inflation matched assets.
- Life expectancies – the scheme's final salary benefits provide pensions for the rest of members' lives (and for their spouses' lives). If members live longer than assumed, then the liabilities in respect of final salary benefits increase.

The most recent actuarial valuation of the scheme was carried out as at 1 June 2015 by a qualified independent actuary. The valuation used for the purposes of IAS 19 'Employee benefits' has been based on the results of the 2015 valuation, updated to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at the balance sheet date. Scheme assets are stated at fair value as at the balance sheet date.

The retirement benefit asset disclosures relating to the group as a whole, as disclosed in the financial statements of Provident Financial plc, are shown below.

14 Retirement benefits (continued)

The net retirement benefit asset recognised in the balance sheet of the group is as follows:

	Group			
	2015		2014	
	£m	%	£m	%
Equities	74.7	11	249.2	36
Other diversified return seeking investments	67.5	10	65.5	9
Corporate bonds	133.0	20	137.8	20
Fixed interest gilts	208.3	31	80.6	11
Index-linked gilts	181.7	28	164.9	24
Cash and money market funds	1.2	-	2.1	-
Total fair value of scheme assets	666.4	100	700.1	100
Present value of funded defined benefit obligations	(604.1)		(644.1)	
Net retirement benefit asset recognised in the balance sheet	62.3		56.0	

Movements in the fair value of scheme assets were as follows:

	Group	
	2015	2014
	£m	£m
Fair value of scheme assets at 1 January	700.1	613.8
Interest on scheme assets	25.7	26.9
Actuarial movement on scheme assets	(52.4)	77.9
Contributions by the group	12.2	13.1
Net benefits paid out	(19.2)	(31.6)
Fair value of scheme assets at 31 December	666.4	700.1

Movements in the present value of the defined benefit obligation were as follows:

	Group	
	2015	2014
	£m	£m
Present value of the defined benefit obligation at 1 January	(644.1)	(584.6)
Current service cost	(5.0)	(5.8)
Interest on scheme liabilities	(23.5)	(25.5)
Exceptional curtailment credit	2.6	0.6
Actuarial movement on scheme liabilities	46.7	(60.4)
Net benefits paid out	19.2	31.6
Present value of defined benefit obligation at 31 December	(604.1)	(644.1)

The principal actuarial assumptions used at the balance sheet date were as follows:

	Group	
	2015	2014
	%	%
Price inflation - RPI	3.00	3.10
Price inflation - CPI	2.00	2.10
Rate of increase to pensions in payment	2.80	2.90
Inflationary increase to pensions in deferment	2.00	2.10
Discount rate	3.75	3.70

14 Retirement benefits (continued)

(b) Pension schemes - defined contribution
The group operates a stakeholder pension plan into which the company contributes a proportion of pensionable earnings of the member (typically ranging between 5.1% and 10.6%) dependent on the proportion of pensionable earnings contributed by the member through a salary sacrifice arrangement (typically ranging between 3.0% and 8.0%). The pension charge in the company's income statement of £9.6m (2014: £10.5m) represents contributions payable by the company in respect of the plan and amounted to £1.3m for the year ended 31 December 2015 (2014: £1.4m). No contributions were payable to the fund at the year end (2014: £nil).

The company made no contributions to personal pension plans in the year (2014: £nil).

15 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 measured at 20% on the basis that the temporary differences on which the deferred tax was 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 20.25% (2014: 21.5%). 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 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 £nil (2014: £nil) represents the income statement adjustment to deferred tax as a result of this change. The movement in the deferred tax asset during the year can be analysed as follows:

Asset	2015 £m	2014 £m
At 1 January	0.5	0.9
Charge to the income statement (note 5)	(0.5)	(0.5)
Transfer from Greenwood Personal Credit Limited	-	0.1
At 31 December	-	0.5

15 Deferred tax (continued)

An analysis of the deferred tax asset for the company is set out below:

			2015			2014
	Accelerated capital allowances	Other temporary differences	Total	Accelerated capital allowances	Other temporary differences	Total
	£m	£m	£m	£m	£m	£m
At 1 January	0.4	0.1	0.5	0.4	0.5	0.9
Charge to the income statement	-	(0.5)	(0.5)	-	(0.5)	(0.5)
Transfer from Greenwood Personal Credit Limited	-	-	-	-	0.1	0.1
At 31 December	0.4	(0.4)	-	0.4	0.1	0.5

Deferred tax is a future tax liability or asset resulting from temporary differences or timing differences between the accounting value of assets and liabilities and their value for tax purposes. Deferred tax arises primarily in respect of property, plant and equipment which is depreciated on a different basis for tax purposes, deductions for employee share awards which are recognised on a different basis for tax purposes and certain cost provisions for which tax deductions are only available when the costs are paid. Deferred tax assets are recognised because it is considered probable that future taxable profits will be available against which the temporary differences can be utilised.

16 Cash and cash equivalents

	2015	2014
	£m	£m
Cash at bank and in hand	7.2	7.1

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

	2015	2014
Currency	£m	£m
Sterling	7.1	6.9
Euro	0.1	0.2
Total	7.2	7.1

17 Bank and other borrowings

Borrowing facilities principally comprise overdrafts which are repayable on demand.

As at 31 December 2015, borrowings amounted to £0.2m (2014: £0.7m).

The company, together with Provident Financial plc, are permitted borrowers under the bank syndicated facility. As at 31 December 2015, the company had no outstanding borrowings under this facility.

The syndicated bank facility of the group as at 31 December 2015 comprised £382.5m maturing in May 2018. Headroom on this committed facility was £222.3m as at 31 December 2015 (2014: £111.5m). The weighted average period to maturity of this committed facility was 2.4 years (2014: 2.4 years).

Given that the group manages liquidity risk through the centralised treasury function, the borrowings maturity profile and undrawn facilities of the group are disclosed in the annual report and financial statements of Provident Financial plc.

18 Trade and other payables

Current liabilities	2015 £m	2014 £m
Trade payables	0.1	0.2
Amounts owed to ultimate parent undertaking	585.1	616.9
Amounts owed to parent undertaking	32.1	15.5
Other payables including taxation and social security	2.6	2.5
Accruals	9.0	10.1
Total	628.9	645.2

The fair value of trade and other payables equates to their book value (2014: fair value equated to book value). The amounts owed to ultimate parent and parent undertakings are unsecured, due for repayment in less than one year and generally accrue interest at rates linked to LIBOR.

19 Preference shares

Non-current liabilities	2015 £m	2014 £m
Preference shares	0.3	0.3

		2015		2014	
		Authorised	Issued and fully paid	Authorised	Issued and fully paid
Preference shares of 1p each	**- £m**	0.3	0.3	0.3	0.3
	- number (m)	30.2	30.2	30.2	30.2

The 17,676,000 preference shares issued in 2002 had a right to a special dividend of £0.9909 per share in 2002, an annual coupon of 5.165% and a return on capital on a winding up of £0.01 per share.

The 12,523,000 preference shares issued in 2004 had a right to a special dividend of £0.9910 per share in 2004, an annual coupon of 5.84% and a return on capital on a winding up of £0.01 per share.

20 Share capital

		2015		2014	
		Authorised	Issued and fully paid	Authorised	Issued and fully paid
Ordinary shares of 25p each	**- £m**	99.8	71.5	99.8	71.5
	- number (m)	399.3	286.2	399.3	286.2

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

21 Share-based payments

Provident Financial plc operates three equity-settled share schemes: the Long Term Incentive Scheme (LTIS), employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)), and the Performance Share Plan (PSP) where shares in the parent company are available to the employees of the company. In 2015 Provident Financial plc introduced a cash settled scheme, the Provident Financial Equity Plan (PFEP) for eligible employees based on a percentage of salary. The group also previously operated senior executive share option schemes (ESOS/SESO), although no options have been granted under these schemes since 2006.

During 2015, awards/options have been granted under the SAYE scheme only (2014: awards/options granted under the SAYE scheme only).

(a) Equity-settled schemes

The charge to the income statement during the year was £0.3m (2014: £0.4m) for equity-settled schemes. The assumptions to consider the appropriate fair values of options are outlined below:

	2015 SAYE	2014 SAYE
Grant date	18-Sep-15	05-Sep-14
Share price at grant date (£)	30.90	21.31
Exercise price (£)	21.58	16.44
Shares awarded/under option (number)	64,167	121,761
Vesting period (years)	3 and 5	3 and 5
Expected volatility	20.8% to 22.7%	21.2% to 22.2%
Option life (years)	3 and 5	3 and 5
Expected life (years)	3 and 5	3 and 5
Risk-free rate	1.21% to 1.53%	1.23% to 1.75%
Expected dividends expressed as a dividend yield	3.00%	4.40%
Fair value per award/option (£)	6.57 to 7.41	4.16 to 4.27

The expected volatility is based on historical volatility over the last three or five years as applicable. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero coupon UK government bonds of a similar duration to the life of the share option.

A reconciliation of share option movements during the year is shown below:

2015	SAYE Number	SAYE Weighted average exercise price £
Outstanding at 1 January	437,007	11.69
Granted	64,167	21.58
Lapsed	(63,555)	13.63
Exercised	(145,761)	9.66
Transferred	(43,578)	-
Outstanding at 31 December	248,280	14.87
Exercisable at 31 December	8,727	8.63

21 Share-based payments (continued)

	LTIS		SAYE	
2014	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January	10,377	-	506,183	9.42
Granted	-	-	118,409	16.44
Lapsed	(10,377)	-	(58,454)	10.41
Exercised	-	-	(175,917)	7.89
Transferred	-	-	46,786	-
Outstanding at 31 December	-	-	437,007	11.69
Exercisable at 31 December	-	-	16,759	7.19

Share options outstanding under the SAYE schemes at 31 December 2015 had exercise prices ranging from 656p to 2,158p (2014: 656p to 1,644p) and a weighted average remaining contractual life of 1.8 years (2014: 1.9 years).

The transfer of options in 2015 and 2014 occurred due to an intercompany transfer between the Provident Personal Credit Limited, Provident Financial Management Services Limited and Greenwood Personal Credit Limited. In line with IFRS 2: 'Share-based payment', the charge has remained in the company which benefitted from the employee's service.

(b) Cash-settled schemes
During 2015 cash awards were granted under the PFEP to eligible employees that require the company to pay amounts linked to a combination of salary, the company's financial performance and share price performance of Provident Financial plc. The charge to the income statement in 2015 was £3,000 (2014: £nil) and the company has a liability of £3,000 as at 31 December 2015 (2014: £nil).

22 Other reserves

	Share-based payment reserve £m	Hedging reserve £m	Total other reserves £m
At 1 January 2014	1.9	0.1	2.0
Transaction with owners:			
- share-based payment charge	0.4	-	0.4
- transfer of share-based payment reserve	(0.4)	-	(0.4)
At 31 December 2014	1.9	0.1	2.0
At 1 January 2015	1.9	0.1	2.0
Other comprehensive income:			
- fair value movement on cash flow hedges	-	(0.3)	(0.3)
Other comprehensive income for the year	-	(0.3)	(0.3)
Transaction with owners:			
- share-based payment charge	0.3	-	0.3
- transfer of share-based payment reserve	(1.5)	-	(1.5)
At 31 December 2015	0.7	(0.2)	0.5

The share-based payment reserve reflects the corresponding credit entry to the cumulative share-based payment charges made through the income statement as there is no cash cost or reduction in assets from the charges. When options and awards vest, that element of the share-based payment reserve relating to those awards and options is transferred to retained earnings.

23 Commitments

Commitments under operating leases are as follows:

	2015	2014
	£m	£m
Due within one year	0.3	0.3
Due between one and five years	0.3	0.4
Total	0.6	0.7

The operating lease commitments are non-cancellable and principally relate to property leases.

A floating charge is held over the company's amounts receivable from customers of up to £15m in respect of the unfunded pension benefit promises made to the executive directors and certain members of senior management of the company's ultimate parent undertaking affected by the reduced annual allowance to pension schemes introduced in 2011 under the UURBS. No loss is expected to arise.

24 Related party transactions

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

	2015			2014		
	Management recharge	Interest charge	Outstanding balance	Management recharge	Interest charge	Outstanding balance
	£m	£m	£m	£m	£m	£m
Ultimate parent undertaking	-	37.3	(585.1)	-	43.1	(616.9)
Immediate parent undertaking	119.2	(14.9)	167.9	91.2	(14.9)	184.5
Other subsidiaries of the immediate parent undertaking	-	-	-	(0.9)	-	-
Total	119.2	22.4	(417.2)	90.3	28.2	(432.4)

The outstanding balance represents the gross intercompany balance receivable/(payable) by the company.

During the year the company paid dividends to the parent company, Provident Financial Management Services Limited, of £75.0m (2014: £85.0m).

25 Contingent liabilities

The company is a guarantor in respect of: (i) borrowings made by the company's ultimate parent undertaking; and (ii) guarantees given by the company's ultimate parent undertaking in respect of borrowings of certain of its subsidiaries to a maximum of £1,097.9m (2014: £1,038.7m). At 31 December 2015, the borrowings amounted to £864.9m (2014: £905.7m). No loss is expected to arise.

26 Reconciliation of profit after taxation to cash generated from operations

	Note	2015 £m	2014 £m
Profit after taxation		61.8	72.1
Adjusted for:			
- tax charge	5	14.6	18.8
- finance income	2	(14.9)	(14.9)
- finance costs	3	37.3	43.1
- share-based payment charge	21	0.3	0.4
- depreciation of property, plant and equipment	9	1.0	0.9
Changes in operating assets and liabilities:			
- amounts receivable from customers		38.0	136.0
- trade and other receivables		(3.4)	8.5
- trade and other payables		(20.6)	(64.1)
Cash generated from operations		114.1	200.8

27 Parent undertaking and controlling party

The immediate parent undertaking is Provident Financial Management Services Limited.

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