HELPING HOUSEHOLDS...

PROVIDENT FINANCIAL

ANNUAL REPORT & ACCOUNTS 2000

... IN PRAGUE & PIETERSBURG...

… GDANSK & GLASGOW

WHEREVER WE GO, WE FIND THAT PEOPLE FACE THE SAME ISSUES AND THE SAME CONCERNS.

THEY WANT TO DO UP THEIR HOMES. THEY WANT THE BEST FOR THEIR CHILDREN. WHAT THEY DON'T WANT ARE FORMS TO FILL IN, QUESTIONS FROM SOMEONE THEY DON'T KNOW AND QUEUES.

THAT'S WHY OUR SIMPLE SYSTEM OF SMALL CASH LOANS GOES DOWN EQUALLY WELL IN THE UK, THE REPUBLIC OF IRELAND, POLAND, THE CZECH REPUBLIC AND SOUTH AFRICA.

WE KNOW OUR MARKET. WE KNOW WHAT PEOPLE WANT. WE HAVE A UNIQUE SERVICE THAT CROSSES FRONTIERS AND LANGUAGE BARRIERS.

**HELPING HOUSEHOLDS MANAGE IS WHAT WE DO.
AND WE CAN DO IT ANYWHERE.**

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IMPROVING QU
RAPID GROWTH

2000 HIGHLIGHTS

GROUP RESULTS

- > *PROFIT BEFORE TAX UP 6.9% TO* ***£160.2M***
- > *TURNOVER UP* ***25%***
- > *CUSTOMERS UP 20% TO* ***3.2M***
- > *EARNINGS PER SHARE UP 10.1% TO* ***47.52P***
- > *DIVIDEND PER SHARE UP 10.1% TO* ***27.3P***

UK HOME CREDIT

- > *BAD DEBT RATIO DOWN FROM 8.4% TO* ***8.1%***
- > *CUSTOMERS UP 1.2% TO* ***1.6M***
- > *CREDIT ISSUED UP 4.4% TO* ***£884M***

INSURANCE

- > *PROFIT BEFORE TAX UP 20% TO* ***£30.5M***
- > *CUSTOMERS UP 17% TO* ***1.1M***
- > *INVESTMENT FUND UP 17.5% TO* ***£343M***

ALITY AT HOME
OVERSEAS

INTERNATIONAL HOME CREDIT

- *DIVISION IN PROFIT FOR SECOND HALF OF 2000*
- *CUSTOMERS TREBLED TO* ***500,000***
- *WORKFORCE DOUBLED TO OVER* ***10,000***
- *CREDIT ISSUED UP TO* ***£121M***

POLAND

- *CUSTOMERS UP FROM 72,000 TO* ***305,000***
- *AGENTS UP FROM 1,562 TO* ***5,200***
- *CREDIT ISSUED UP TO* ***£74M***

CZECH REPUBLIC

- *CUSTOMERS UP FROM 66,000 TO* ***161,000***
- *AGENTS UP FROM 1,855 TO* ***2,548***
- *CREDIT ISSUED UP TO* ***£42M***

SOUTH AFRICA

- *CUSTOMERS UP FROM 11,000 TO* ***34,000***
- *AGENTS UP FROM 251 TO* ***626***
- *CREDIT ISSUED UP TO* ***£5M***

CHAIRMAN'S S

IMPROVING QUALITY AT HOME AND GROWTH OVERSEAS BEST SUMMARISE THE CONSIDERABLE PROGRESS WE HAVE MADE IN HOME CREDIT.

JOHN VAN KUFFELER
CHAIRMAN

I am pleased to announce a year of excellent progress at home and overseas. We achieved strong growth during 2000, with group turnover up by 25% to £728 million and group customer numbers up by 20% to 3.2 million (1999 2.7 million). Group profit, as adjusted for the additional interest costs of debt used to fund share buy-backs, increased by 6.9% to £160.2 million (1999 £155.0 million). Earnings per share increased by 10.1% from 43.15p to 47.52p per share. These group results are after investment of £6.7 million in start-up losses in our international division (1999 £8.4 million). The directors recommend a final dividend of 16.4p (1999 14.9p) giving a dividend for the year of 27.3p per ordinary share (1999 24.8p), an increase of 10.1%.

Operations

Improving quality at home and growth overseas best summarise the considerable progress we have made in home credit.

The UK home credit division has had success in improving the quality of credit issued and the effectiveness of its field force. As a result, bad debt as a percentage of credit issued fell from 8.4% in 1999 to 8.1% in 2000. Collections increased by 6.7% to £1.24 billion, benefiting from the improved collection performance achieved in 2000. Growth in customer numbers, at 1.2%, and credit issued, at 4.4%, reflect our determination to maintain the quality of our lending. Turnover rose by 8.2% to £457 million. Profit before tax increased by 2.1% to £147.0 million (1999 £143.9 million).

The international division has performed exceptionally well. We more than trebled our customer numbers from 149,000 to 500,000 and the rate of customer growth has accelerated: in the first half of the year customer numbers grew by 132,000 and in the second half by 219,000. We also completed national coverage in Poland and the Czech Republic and we are well on the way to achieving the target we set ourselves of over one million customers in these two countries, well ahead of our 2005 target date. Most importantly, we turned the corner into profitability in the division in the second half of the year.

The motor insurance division also performed very well, benefiting from good conditions in the motor insurance market. Profit was up by 20% to £30.5 million and underwriting policyholders up by 30% to 788,000.

The group has been strongly cash generative and, in line with our policy to return excess capital to shareholders, we purchased for cancellation 9.4 million shares during the early part of the year at

TATEMENT

an average cost of 520p per share, reducing shareholders' funds by £49.1 million.

A detailed review of operations is given in the Chief Executive's review.

Board changes

The following board changes complete the succession plans that we began two years ago.

Howard Bell, Chief Executive, will retire at the end of September and will be succeeded by Robin Ashton, currently Deputy Chief Executive. Howard has worked for the group for 34 years, serving on the board for the last 12 years. Robin joined the group in 1983 and held senior positions in the motor insurance division and the UK home credit division before becoming Group Finance Director in 1993. In 1999, he was appointed Deputy Chief Executive.

Peter Bretherton, Director of Corporate Affairs, will retire at the end of the Annual General Meeting on 26 April. He has worked for the group for 23 years, the last 17 years as a director. I would like to thank him for his hard work and wise counsel.

Chris Johnstone, Managing Director of the UK home credit division, and David Swann, Managing Director of the international division, will join the board at the AGM on 26 April, retaining their current responsibilities. Chris has worked for the group for 17 years and was Managing Director of the motor insurance division before moving to head the UK home credit division in 1999. David joined the group in 1973. He has led the international division since its inception in 1997 and previously held senior positions in the UK home credit division.

Prospects

In 2001, we will continue the shift from being largely UK based to becoming a sizeable international business.

The UK home credit division will continue to concentrate on maintaining the quality of its lending in 2001. Customers, credit issued and profit are therefore expected to grow at similar rates to those in 2000. The bad debt ratio is expected to remain at or around the current level.

The international division's customer numbers, credit issued and profit are expected to grow rapidly. In the spring of 2001, we plan to open offices in Hungary and Slovakia. We will begin with pilot operations and if these prove successful move to a controlled national roll-out within the year. The division as a whole is on target to report a profit in 2001, after bearing start-up losses of £4 million in developing Hungary and Slovakia, and to earn increasing levels of profit thereafter. We are firmly convinced that home credit is a service with considerable international appeal, providing an excellent investment opportunity.

The motor insurance market is cyclical and we are currently benefiting from conditions towards the top of the cycle. We expect another good result in 2001, but with premium increases broadly similar to claims cost inflation and lower investment yields, profit is expected to increase less rapidly than in 2000.

The board is confident of a good result for 2001, delivered by a combination of responsible lending in the UK and rapid international growth, supported by another strong performance from motor insurance.

John van Kuffeler
Chairman
5 March 2001

CUSTOMER OPI

"THERE IS NOTHING PERSONAL WITH THE BANK LIKE THERE IS WITH **A PROVIDENT AGENT**."
UK CUSTOMER

PERSONAL

"IF SHE'S GOT ENOUGH TIME SHE'LL STOP AND HAVE **A CUP OF TEA**."
UK CUSTOMER

"THEY'RE LIKE **YOUR LITTLE PERSONAL BANK**, AREN'T THEY?" UK CUSTOMER

FLEXIBLE

"I'VE SAT WITH MY AGENT AND I'VE WANTED TO BORROW MONEY AND SHE'S WORKED IT OUT **THE EASIEST WAY FOR ME**, YOU KNOW." UK CUSTOMER

"**SHE'LL WORK IT OUT**, THE LOWEST AMOUNT FOR ME AND THE QUICKEST WAY TO PAY IT OFF AND EVERYTHING LIKE THAT. THE BANK DON'T DO THAT."
UK CUSTOMER

NIONS

WE ARRANGED FOR AN INDEPENDENT RESEARCHER TO MEET UP WITH SOME OF OUR CUSTOMERS WHO TOLD HER WHAT THEY THOUGHT ABOUT HOME CREDIT.

STRAIGHTFORWARD

*“**THEY MAKE SURE THAT YOU CAN PAY** AND IF THEY DON’T THINK THAT YOU CAN PAY, THEN YOU DON’T GET THE MONEY.” UK CUSTOMER*

*“WITH PROVIDENT FINANCIAL **YOU ALWAYS KNOW WHERE YOU STAND** – EVERYTHING IS WRITTEN DOWN INTO THE INSTALMENT BOOK.” CZECH CUSTOMER*

CONVENIENT

*“**THEY COME ROUND TO YOUR DOOR** AND YOU KNOW THEY’RE COMING ROUND ON A MONDAY, AT SUCH AND SUCH A TIME, YOU’VE HAD THE MONEY AND YOU GIVE IT TO HER. BEFORE YOU KNOW IT YOU’VE PAID IT.” UK CUSTOMER*

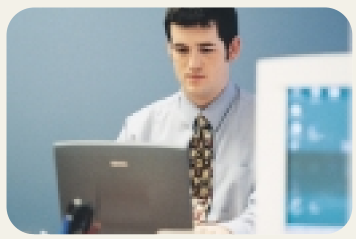
*“**THE AGENT LIVED NEXT DOOR TO ME**.” UK CUSTOMER*

*“THE WEEKLY INSTALMENTS ARE VERY CONVENIENT FOR ME – THE WHOLE LOAN IS DIVIDED INTO **SMALL REPAYMENTS**.” POLISH CUSTOMER*

AT HOME AND

Group results
Customers have increased by 20% to 3.2m.

International home credit
In 2000 we opened in 51 new locations in Poland, the Czech Republic and South Africa.

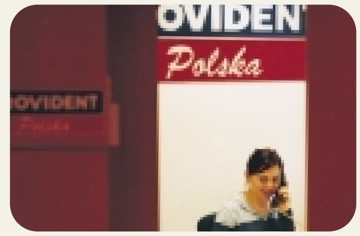


HOWARD BELL
CHIEF EXECUTIVE

UK home credit
The UK will remain the bedrock of our business. We have 1.6m UK home credit customers.

ABROAD

Strategy
Our aim is to be a leading international provider of simple financial services.



BUILDING ON THE SUCCESS WE HAVE ALREADY ACHIEVED, WE INTEND TO LAUNCH OUR SERVICE IN AT LEAST ONE NEW COUNTRY EACH YEAR.

Strategy

The board has a clear strategy for the development of the group. Our aim is to be a leading international provider of simple financial services. During 2000, we made good progress towards this goal.

Home credit will remain the bedrock of the business. The UK market is expected to continue to provide attractive returns. We will also seek new opportunities for growth by extending the range of financial services we offer. Our international expansion will provide strong growth. Building on the success already achieved, we intend to launch our service in at least one new country each year.

The strategy for our motor insurance business remains unchanged. It is to concentrate on our specialist market in the UK and to manage the business to earn attractive margins rather than maximise market share.

UK home credit division

During 2000, in the context of a demanding market, the UK home credit division did well to achieve its major objective of improving bad debts. Bad debt as a percentage of credit issued fell from 8.4% in 1999 to 8.1% in 2000. Our focus on quality was achieved by slowing growth in customer numbers, by more cautious lending and by improving customer care through a strengthening of our field force that cost £7 million. Customer numbers grew by 1.2% (1999 4.6%) and credit issued increased by 4.4% (1999 5.2%). Agent numbers increased by 3.9% (1999 6.7%), a little ahead of customer growth. We were pleased that during this year of investment we were able to increase profit before tax by 2.1% to £147.0 million (1999 £143.9 million).

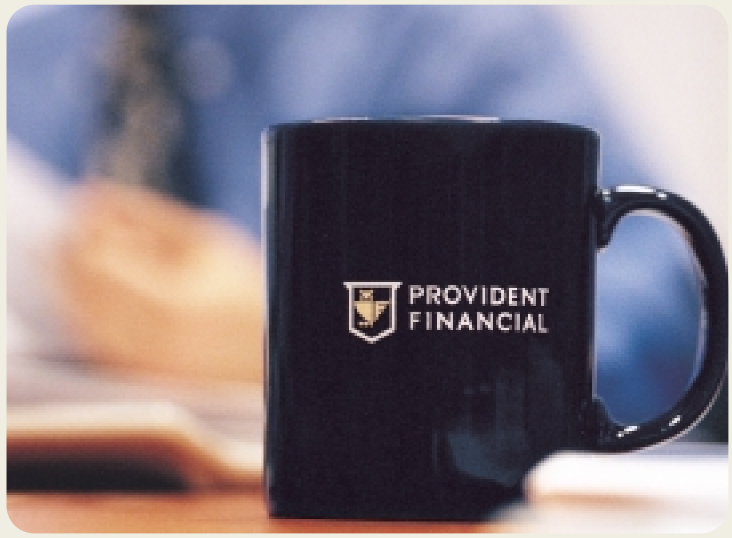
Looking forward to 2001, we expect the current conditions in the home credit market to continue. More widespread availability of credit is a feature of the sustained period of economic growth seen in the UK economy. We are close to our customers and this gives us crucial advantages over an economic cycle in providing credit responsibly to our target market. Our agents, the majority of whom are women, live in the communities where they work and often build up close relationships with their customers. With an average service of seven years, they are often the first people our customers talk to about financial matters. This allows us to make continuous and informed credit assessments and to lend responsibly. We are determined to maintain our focus on quality and so we will continue to be cautious in customer recruitment and lending.

International division

During 2000, our international operations produced an excellent performance. We more than trebled our international customer numbers, from 149,000 to 500,000. We also more than doubled our workforce of staff and agents to just over 10,000, opening 51 new locations. Turnover increased from £9 million to £42 million and credit issued was up from £29 million to £121 million. The figures alone do not adequately reflect the hard work and the scale of the achievements of our international team. In just over 18 months, we have recruited and trained almost 8,000 staff and agents, we have built a full national branch network in the Czech Republic and Poland and have turned the corner into profitability. In South Africa, we have successfully expanded in the Pietersburg area of the Northern Province and we now have 34,000 customers.

The excellent repayment record of our international customers has continued, with underlying bad debt at around 6% of credit issued in the Czech Republic and Poland and 8% in South Africa.

THESE RESULTS PROVE THAT WE HAVE THE ABILITY TO BUILD AND MANAGE OVERSEAS OPERATIONS SUCCESSFULLY AND BRING THESE OPERATIONS TO PROFIT.



International home credit
During 2000 we more than trebled our international customers from 149,000 to 500,000.

During the second half of 2000 the division achieved its main objective of moving into profit, reporting a second half profit of £0.2 million after start-up losses of £6.9 million in the first half. The Czech Republic, the division's most advanced market, earned a second half profit of £1.5 million turning a first half loss of £1.4 million into a profit of £0.1 million for the year.

These results prove that we have the ability to build and manage overseas operations successfully and to bring these operations to profit. Using these skills, we intend to open offices in Hungary (population 10 million) and Slovakia (population 5 million) during the spring of 2001. In South Africa we intend to continue with cautious expansion, restricting total receivables to no more than £5 million, and we are on track to move into profit during the year. In Poland and the Czech Republic we have completed our national branch network and we will focus on rapid customer growth and expect both countries to be profitable for 2001.

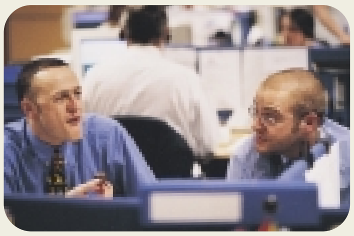
Motor insurance division
Our motor insurance division produced record results with strong performances from both underwriting and broking. Profit before tax for the division increased by 20% to £30.5 million.

In our underwriting business, we continue to focus on the market we know best – non-comprehensive insurance for women drivers, drivers of second cars, older cars and those who do low mileage. One of our key strengths is our ability to transact low-value policies cost effectively. During 2000, we increased our premiums by 17% as compared to 1999. With premium increases in the market averaging 20%, our continued improvement in price competitiveness resulted in a 30% increase in policyholders from 606,000 to 788,000. We also benefited from the substantial income from our large investment fund which, during 2000, grew by 17.5% to £343 million. These positive factors combined to increase the profit in our underwriting business to £30.1 million (1999 £24.2 million).

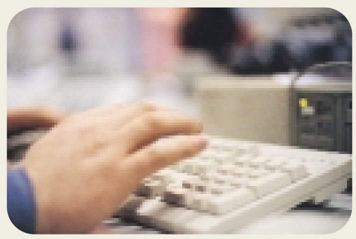
Our insurance broking business also benefited from rising premiums in the motor market and reported profit was up by 18.8% to £1.9 million (1999 £1.6 million).

The division has also led a pilot of a new budgeting service for paying household bills called balance. The pilot in Sheffield has established a nucleus of customers and is testing the concept and appeal of the service. The results are being carefully monitored. The cost of the pilot in 2000 was £1.5 million (1999 £0.4 million).

Howard Bell
Chief Executive
5 March 2001

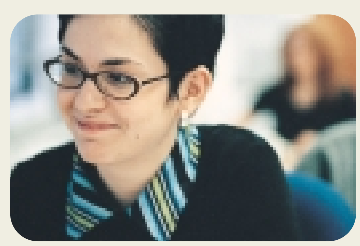


Motor insurance
Policyholders have increased by 30% to 788,000.



Motor insurance
A record result. Profit up 20% to £30.5m.

International expansion
In the spring of 2001 we plan to open offices in Hungary and Slovakia.



UK

The United Kingdom: our home credit heartland
Home credit in the UK is the bedrock of our business. We serve 1.6m customers and provide a service that successfully meets their needs. Our offer is simple and the costs of our product well understood. We do not impose penalty charges for late payment of instalments. We allow our customers flexibility in making repayments if their personal circumstances change. We can arrange to do this because, unlike other lenders, we know our customers personally.

We have a workforce of 3,014 staff and 12,058 agents who have developed, often over many years, close personal relationships with our customers. This allows our agents to make continuous and informed credit assessments and to lend responsibly.

The greater availability of credit is a feature of the period of sustained economic growth we have experienced in the UK and during 2000 our agents saw evidence of this. Consequently, during that year, we focused on quality, by careful customer recruitment and responsible lending and through improved customer care. The reduction in our bad debt ratio from 8.4% to 8.1% of credit issued is a measure of our success.

Looking forward to 2001, we expect the current conditions in the market to continue. We are determined to maintain our focus on improving quality and lending responsibly and so we will continue to be cautious in our customer recruitment and credit granting.

COUNTRY MAP:

Head office:
Provident Personal Credit Limited
Greenwood Personal Credit Limited
Colonnade
Sunbridge Road
Bradford BD1 2LQ
UK

1,580,000
HOME CREDIT CUSTOMERS

COUNTRY STATISTICS:

Capital:	London
Population:	59m
Currency:	Sterling (£)
Inflation (RPIX):	2.0%
Interest rate (3 month):	5.84%
GDP growth:	3.2%*

*Estimate

HOME CREDIT STATISTICS:

Commenced trading:	1880
Customers:	1.58m
Agents:	12,058
Staff:	3,014
Credit issued:	£884m
Locations:	306

POLAND

COUNTRY MAP:

Head office:
Provident Polska S.A.
Atrium Tower
Al Jana Pawla II 25
00-854 Warsaw
Poland

COUNTRY STATISTICS:

Capital:	Warsaw
Population:	39m
Currency:	Zloty (PLN)
Inflation:	8.5%
Interest rate (3 month):	19.7%
GDP growth:	4.1%*

*Estimate

305,000

HOME CREDIT CUSTOMERS

Poland: poised for profit

2000 was a year of dramatic growth in our Polish operation. We opened in 31 new locations and recruited and trained 4,360 staff and agents. This enabled us to achieve national coverage. Our customer numbers grew by 321% from 72,000 to 305,000. Credit issued grew by 388% to £74.1million.

The enthusiasm and drive of our Polish team is evident from the scale of these achievements. In the space of three years the management has built from scratch a business which now has the second largest non-national workforce in Poland.

The commitment and vibrancy of our talented staff and agents is a reflection of a country whose economy is developing rapidly and whose ambition is to join the European Union in the near future.

Our business in Poland is developing into a leading force in the growing consumer finance market and we estimate that the size of the potential market for home credit is about 2 million customers.

In 2001 we will focus on growing customer numbers, credit issued and profit. We expect to earn our first profit in Poland in 2001.

HOME CREDIT STATISTICS:

Commenced trading:	1997
Customers:	304,874
Agents:	5,200
Staff:	1,048
Credit issued:	PLN 482m (£74.1m)
Locations:	41

CZECH REPUBL

The Czech Republic: into profit

The Czech Republic is our most advanced overseas market because we invested in the expansion of our branch network in the Czech Republic to achieve national coverage some six months earlier than we did in Poland. We are now reaping the rewards. A profit of £1.5m was reported in the second half of 2000, turning a first half loss of £1.4m into a profit for the year.

The Czech Republic is the first of our overseas businesses to move into profit and that business demonstrates the potential of our overseas expansion plans.

During 2000, we increased our branch network, opening in 17 new locations and recruiting and developing 693 agents and 112 staff. But the emphasis was on growth in revenue, rather than costs; our customer base grew by 145% to 161,000 and credit issued grew by 225% to £42m.

These achievements are testimony to the talent, hard work and enthusiasm of our team in the Czech Republic.

In 2001 we will again focus on the growth in customer numbers, credit issued and profit. We see the opportunity for significant growth in the years to come and we estimate that the size of the potential market for home credit is about 500,000 customers.

COUNTRY MAP:

Head office:
Provident Financial s.r.o.
BB Centrum
Building B
Vyskocilova 1A/1422
140 00 Prague 4
Czech Republic

IC

161,000

HOME CREDIT CUSTOMERS

COUNTRY STATISTICS:

Capital:	Prague
Population:	10m
Currency:	Koruna (Kc)
Inflation:	4.0%
Interest rate (3 month):	5.4%
GDP growth:	2.7%*

*Estimate

HOME CREDIT STATISTICS:

Commenced trading:	1998
Customers:	161,284
Agents:	2,548
Staff:	493
Credit issued:	Kc 2,452m (£42.2m)
Locations:	32

SOUTH AFRICA

COUNTRY MAP:

Head office:
Provident South Africa
P.O. Box 11710
Bendor Park 0699
Pietersburg
South Africa

COUNTRY STATISTICS:

Capital:	Pretoria
Population:	42m
Currency:	Rand (RND)
Inflation (CPIX):	7.6%
Interest rate:	10.4%
GDP growth:	3.0%*

*Estimate

34,000

HOME CREDIT CUSTOMERS

HOME CREDIT STATISTICS:

Commenced trading:	1998
Customers:	33,999
Agents:	626
Staff:	121
Credit issued:	RND 55m (**£**5.2m)
Locations:	4

South Africa: a different approach

In South Africa we have seen home credit satisfy customer needs and be successful in a very different culture. The basic business model is the same as that in the UK. We recruit agents, the majority of whom are women, and those agents lend small amounts of cash to customers with whom they build close relationships. As in the UK and Central Europe, the majority of our customers are women.

There are differences from the UK operation and the most important of these is the use to which our customers put the cash loan. In the UK the loan is more often than not used to smooth the ups and downs in the household budget. In South Africa, many customers use our loans to provide working capital for their small businesses. These micro enterprises provide an important source of employment in the communities where we operate. These small businesses vary from market stalls selling fruit and vegetables to small scale manufacturers of garments. Most of these businesses are led by women.

Both as an employer and as a provider of risk capital, we are making a positive contribution to improving the local economy in the Pietersburg area of the Northern Province, where our customers and agents live and work.

In 2000, we made good progress. We opened three new locations around our Pietersburg base and grew our customer numbers from 11,000 to 34,000. The bad debt ratio improved and the underlying collection performance is now similar to that in the UK. During the year we increased our credit issued by 333% to £5.2 million.

We believe that South Africa has a bright future and that home credit can play an important role in the development of the country. We also recognise that in this current period of social change we need to carefully manage the inherent risk. Accordingly, we intend to expand cautiously and to limit our South African loan book to £5m in 2001.

COMMUNITIES

HERE ARE A FEW OF THE PROJECTS SUPPORTED BY US

Painting the Century
We sponsored the exhibition 'Painting the Century: 101 portrait masterpieces', one from each year from 1900 to 2000. With the National Portrait Gallery we developed 'Face to Face', an education programme based on the content of the exhibition. Students from inner city schools in Bradford, Liverpool and London learnt how art could help their English, drama and history studies.

The Freeform Arts Trust
Through this trust's 'Building Communities' programme we helped volunteers create an 'Ocean Oasis' in East London. The project brings together young people and pensioners.

L'Ouverture
We helped this London-based young people's trust take its work to Liverpool. The charity uses arts and media projects to get children to think for themselves and develop their talents.

WE ARE COMMITTED TO INVESTING IN PROJECTS WHICH DIRECTLY ASSIST OUR CUSTOMERS AND THE COMMUNITIES IN WHICH THEY LIVE.

The community is our business. Equally, our business is the community.

We don't see our community programme as an 'add-on'. Our community work is built into our normal day-to-day business activities. As far as we're concerned, the health of our business depends on the health of the communities in which we operate.

In fact, many of our ideas for community projects come from staff and agents. On her round, an agent may see a corner of an estate that needs a face lift, or hear about a children's club facing the axe through lack of cash. She'll let the company know and through 'Provident in the Community' we may well step in. Staff and agents may give up their time to help or we may simply make a donation. In 2000, we supported 226 projects of this kind.

Not that we just throw money at the community. We don't. We also throw ideas, time, resources and people. A good example is QED, Quest for Economic Development, a Bradford organisation. We support its 'Pathways to Employment' initiative which helps young members of the South Asian community find jobs. We introduced them to role models from our staff who described their work and then helped them to prepare CVs and practise for interviews.

We like to support projects close to home. We continue to develop our relationship with the West Yorkshire Playhouse supporting SPARK, Sport and Arts towards Knowledge, the Playhouse's innovative after-school club for children in inner city Leeds. At the same time we are a national partner of the National Society for the Prevention of Cruelty to Children in England and Wales and Children 1ST in Scotland. We also support the National Council for Voluntary Organisations.

And as our business has expanded internationally, we are also encouraging staff and agents in Poland, the Czech Republic and South Africa to get involved with projects involving their communities.

Financial literacy

Home credit is one way we help people avoid problems with debt. We also support Money Advice Trust, Money Advice Scotland, Birmingham Settlement and Christians Against Poverty.

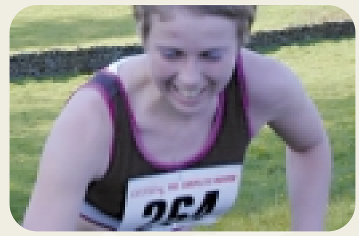
The Bridge Project

We became the first corporate sponsor of this Bradford project which helps young drug users kick the habit by providing alternative therapies, such as acupuncture and massage.

READY, STEADY

226 'PROVIDENT IN THE COMMUNITY' PROJECTS SUPPORTED. 10 PROJECTS SUPPORTED BY OUR INTERNATIONAL HOME CREDIT DIVISION. STAFF AND AGENTS RAISED OVER £90,000 FOR GOOD CAUSES.

UK



NSPCC Children's Day

More than 150 Provident staff ran, jogged, walked, limped and crawled along a rugged cross-country course. Each person raised sponsorship money and the company gave the charity £20 for every person who completed the course. Total raised: £4,500.

NSPCC and Children 1ST

We are a national charity partner of the NSPCC and Children 1ST. We have worked closely with them to find projects across the UK where our support could make a real difference. Projects we supported in 2000 included a therapeutic service based in Swansea, a children and family counselling project based in Glasgow and a young people's centre based in Solihull.

...GO

290

PROJECTS SUPPORTED IN TOTAL

SPARK
Developed by the West Yorkshire Playhouse with corporate support from the company, SPARK (Sport and Arts towards Knowledge) has been acknowledged nationally as a model of after-school learning. Children from inner city schools enjoy learning using the creative elements of art and sport.

UK

SPARK
Children from Leeds schools Kirkstall St Stephens and Brudenell Primary School at SPARK kitemaking and drama workshops.

POLAND

Stara Milosna children's playground
We're serious about play. Provident Polska, our Polish home credit company, financed the construction of a safe, ecological playground. All the swings and slides were made from environmentally friendly materials. Now the parents of the town know their children have a safe place to play.

FINANCIAL REVIEW

THE GROUP HAS A TRACK RECORD OF GENERATING ADDED VALUE FOR ITS SHAREHOLDERS BY EARNING PROFIT IN EXCESS OF ITS COST OF CAPITAL EMPLOYED.

JOHN HARNETT
FINANCE DIRECTOR

Profit

Group pre-tax profit increased to £160.2 million (1999 £155.0 million), up 6.9%, after adjusting for the additional interest costs of debt used to fund share buy backs. UK home credit was the major contributor with profit up 2.1% to £147.0 million (1999 £143.9 million). The international home credit operations expanded rapidly and, in so doing, incurred start-up losses of £6.7 million (1999 £8.4 million). The motor insurance division saw both volumes and premiums increase this year, enabling it to record a 20% increase in profit to £30.5 million (1999 £25.4 million). Central costs of £10.6 million (1999 £5.8 million) include an interest cost of £5.1 million in respect of the £84.6 million additional borrowings to fund the purchase of 14.6 million shares between October 1999 and March 2000.

Earnings, tax and dividends

Earnings per share increased by 10.1% to 47.52p assisted by the reduction in the number of shares in issue as a result of the shares purchased and cancelled in the last quarter of 1999 and the first quarter of 2000. The effective tax rate of 26.6% is due to the efficient management of the group's tax affairs and the favourable agreement of prior year tax liabilities. It is expected that the effective tax rate will be at or around 28% in 2001. The full year dividend per share has been increased by 10.1% to 27.3p, with a dividend cover, in line with our policy, at 1.74 times.

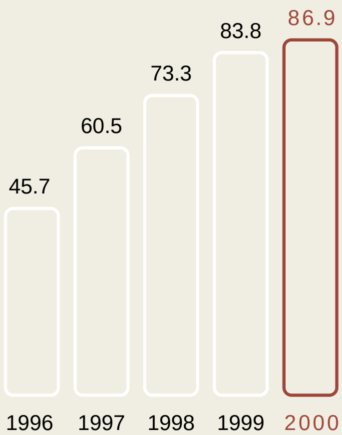
Economic profit

The group has a track record of generating added value for its shareholders by earning profit in excess of its cost of capital employed. This measure is known as economic profit. In 2000, economic profit was £86.9 million, up by 3.7% on 1999's economic profit of £83.8 million.

Cash flows

The group has a record of strong cash generation. During the year the group generated free cash flow of £77.2 million (1999 £102.0 million). This is analysed as follows:

ECONOMIC PROFIT (£M)



FREE CASH FLOW (£M)

	2000	1999
Free cash flow generated	77.2	102.0
Dividends paid	(63.4)	(60.9)
Issue of share capital and options exercised	2.7	2.5
Share buy-backs	(49.1)	(35.6)
Increase in investment fund	(50.1)	(2.6)
Increase in borrowings	104.8	0.5
Increase in cash excluding investment fund and overdrafts	22.1	5.9

	2000 £m	1999 £m
UK home credit	84.7	106.7
International home credit	(52.7)	(17.8)
Motor insurance	55.7	19.0
Central overheads and interest paid	(10.5)	(5.9)
	77.2	102.0

The motor insurance division is required to maintain capital within its business at levels set by its regulators. Of the free cash flow generated in 2000 of £55.7 million (1999 £19.0 million), £47.4 million (1999 £14.3 million) was retained in the business to meet capital adequacy requirements and, therefore, could not be used to pay dividends.

The patterns of cash flows arising from our home credit and motor insurance underwriting business are substantially different. In home credit, advances are made to customers which are collected in future periods and which therefore require funding. In the motor insurance underwriting business, premiums are received in advance and are held on deposit until claims are paid at a later date. The cash and investments held by the motor insurance underwriting business are strictly segregated from those held by the rest of the group and are not available to service borrowings or to pay dividends to our shareholders. Borrowings and investments are, therefore, considered separately.

Capital structure

Our business continues to be strongly cash generative and, in accordance with our policy to return excess capital to shareholders, we have spent £49.1 million to purchase 9.4 million shares during the year at an average cost of 520p. At 31 December 2000, £225 million of the group's shareholders' equity of £267 million supported the home credit businesses, resulting in 35% of customer receivables being financed by shareholders' equity and the remainder by borrowings and other creditors. Our target is to fund about 75% of our receivables by debt.

Gearing ratio

The group's gearing ratio (borrowings divided by group net assets) increased in 2000 to 158% from 122% at 31 December 1999. However, as outlined below, the group's borrowings relate to the home credit businesses and the gearing ratio of this part of the group (borrowings divided by home credit net assets) at 31 December 2000 was 187% (1999 170%).

Borrowings

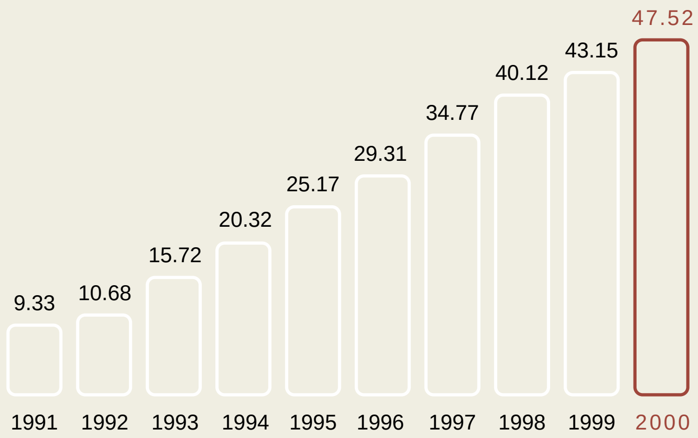
Purpose The group borrows principally to fund the loans advanced to customers by the home credit businesses. To ensure that there are sufficient funds available, we arrange committed borrowing facilities comfortably exceeding our peak funding requirements and for periods well in excess of the life of the loans. At 31 December 2000 we had committed facilities of £526 million, compared with borrowings of £422 million. Our borrowings had an average maturity of four years.

Sources The group's main sources of funding are term loans and committed revolving loan and acceptance credit facilities. In the UK these are typically of five to seven years' duration and are normally extended annually. The group's overseas borrowings are typically of three to five years' duration. Our borrowing facilities are provided by 24 banks based in the UK, the Republic of Ireland, Poland and the Czech Republic.

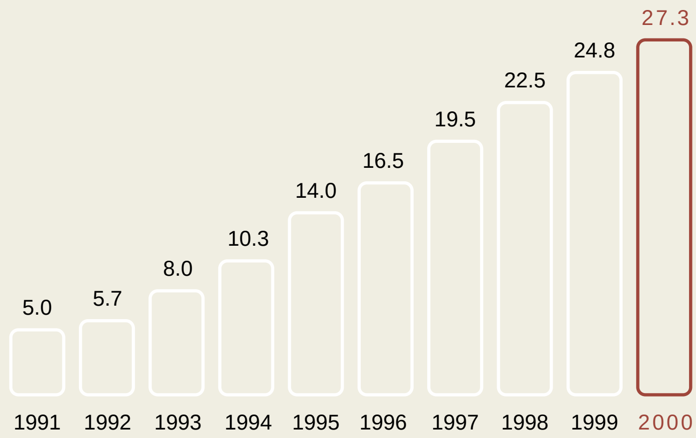
Scale Overall group borrowings were higher at £422 million in 2000 compared with £317 million in 1999. At the end of 2000 our foreign currency borrowings were a sterling equivalent of £74 million (1999 £24 million), including £28 million of liabilities under cross currency swaps.

Interest payable and interest cover Interest costs of £24.6 million were £6.1 million higher than in 1999, largely reflecting the higher average level of borrowings during the year. The average rate of interest paid, including hedging costs, was 6.7% in 2000 compared with 6.9% in 1999. Interest payable is covered eight times by profit before interest payable (1999 nine times).

EARNINGS PER SHARE (P)



DIVIDEND PER SHARE (P)



Timing The normal pattern of lending to customers means that our peak funding requirements arise in December each year.

Covenants The group has continued to comply with all its borrowing covenants.

Investments

Our motor insurance underwriting business receives premiums in advance and holds a portion of these in reserve until claims are paid. These funds are invested in a low-risk portfolio in order to produce a reliable flow of interest income whilst ensuring the security of the investment.

The motor insurance division's investment portfolio consists entirely of deposits with, or investments in, interest-bearing instruments issued by banks and building societies for periods up to five years. There are strict limits, approved by the board, on our maximum exposure to any one counterparty and on the average maturity of the portfolio.

Total interest earning deposits and investments held by the motor insurance division amounted to £343 million at 31 December 2000 (1999 £292 million). The division's total investment income fell from £22.9 million to £20.8 million. 1999's figure included a £2.4 million profit on disposal of gilt strips. If this is excluded investment income in 2000 is broadly comparable with 1999, reflecting a higher average investment fund offset by lower yields. The yield in 2000 averaged 6.7% compared with 6.9% in 1999, excluding the profit on disposal of gilt strips.

Treasury activities

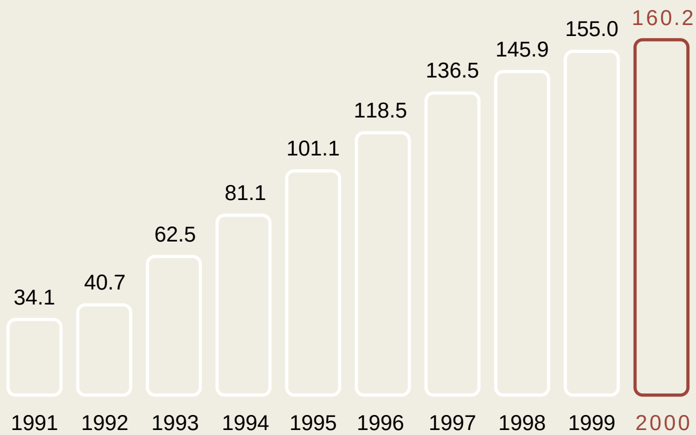
Treasury activities are organised to minimise the risks inherent in providing funding for the group, to maximise the reliable flow of income from invested insurance funds whilst preserving the capital value of those funds and to manage the level of interest rate and exchange rate risk. The board reviews and agrees policies for managing the main financial risks faced by the group in relation to funding, investment and hedging. These policies ensure that borrowings and investments are with high quality counterparties and are limited to specific instruments, that the exposure to any one counterparty or type of instrument is controlled within limits and that exposures to movements in interest and exchange rates are controlled within limits.

Treasury activities are managed on a day-to-day basis by the group's treasury function and are reported to both the treasury committee and the board on a regular basis. Treasury activities have been designed to ensure that duties are properly segregated and that all transactions are properly authorised. All transactions in derivatives are undertaken to manage the risk arising from underlying business activities. No transactions of a speculative nature are undertaken and written options may only be used when matched by purchased options. All treasury activities are subject to periodic independent reviews and audits, both internal and external.

Interest rate and currency hedging

Interest rate The interest rate risk for the group, inherent in the funding and investment portfolios, is managed by a combination of natural hedging, which allows the increased cost of borrowing resulting from higher interest rates to be offset by increased investment income and vice versa, and by the use of derivative instruments such as interest rate swaps and caps.

PROFIT BEFORE TAX (£M)



So as to limit potential increases in our borrowing costs, we reduce the home credit businesses' exposure to interest rate rises by hedging a substantial proportion of our floating rate debt. Interest rate swaps at rates in the range of 5.5% to 7.0% cover a proportion of the group's borrowing costs for periods through to 2005.

The motor insurance division's exposure to possible reductions in interest rates is hedged by a combination of fixed rate investments (for terms of up to one year) and shorter term floating rate investments covered by interest rate swaps. At 31 December 2000, £40 million of investments were at fixed rates and a further £290 million of investments had interest rates fixed in the range of 5.0% to 7.9% by interest rate swaps for periods through to 2005.

Details of the group's interest rate exposure at 31 December 2000 are set out on pages 58 and 59 in note 13 of the notes to the accounts.

Currency As the group expands internationally our exposure to movements in exchange rates is increasing. Our policy is to minimise the value of our net assets denominated in foreign currencies by funding a high proportion of our overseas loan books by borrowings in local currency or by sterling borrowings swapped into local currency for the duration of the loans. As far as possible we aim to hedge the currency risk associated with expected future cash flows denominated in local currencies. Our reported foreign currency denominated profits are hedged only to the extent that they give rise to expected cash flows.

Details of the group's currency exposure at 31 December 2000 are set out on page 60 in note 13 of the notes to the accounts.

Going concern

In light of the financial position and committed borrowing facilities at 31 December 2000, the directors have reviewed the group's budgets, plans and cash flow forecasts for the year to 31 December 2001 and outline projections for the three subsequent years. They have a reasonable expectation that the group has adequate resources to continue its operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the accounts.

John Harnett
Finance Director
5 March 2001

DIRECTORS

BOARD COMMITTEES

Audit committee
John H Maxwell (Chairman)
Charles H Gregson
Angela C M Heylin

Executive committee
Howard J Bell (Chairman)
Robin J Ashton
Peter W Bretherton
John A Harnett

Nomination committee
John P de Blocq van Kuffeler (Chairman)
Howard J Bell
Charles H Gregson
Angela C M Heylin
John H Maxwell

DIRECTORS' BIOGRAPHIES

John P de Blocq van Kuffeler MA FCA
Chairman, age 52
Graduated with a degree in economics and qualified as a chartered accountant in 1973. He joined Provident Financial in 1991 as Chief Executive and was appointed Executive Chairman in April 1997. He was formerly Group Chief Executive of Brown Shipley Holdings PLC. He is Chairman of the Finsbury Smaller Quoted Companies Trust PLC. He is also a non-executive director of The Fleming Applied Science & Technology Trust plc.

Howard J Bell MBA
Chief Executive, age 56
Joined the board in 1989, after 22 years with the group in a variety of roles. Worked initially in computer development and was head of personnel services before becoming Managing Director of Provident Personal Credit (North). He was appointed Managing Director of Provident Financial in 1995 and became Chief Executive in April 1997. He is also Chairman of Bradford and District Training and Enterprise Council Limited and of the trustee board of the charity, Meningitis Research Foundation.

Robin J Ashton BA ACA
Deputy Chief Executive, age 43
Qualified as a chartered accountant in 1982 having graduated in economics and law. He joined the group in 1983 as Finance Director of Provident Insurance and subsequently became Deputy Managing Director of H T Greenwood and Managing Director of Provident Investments. He became Group Treasurer in 1989 and joined the board as Finance Director in 1993. In April 1999 he was appointed Deputy Chief Executive with responsibility for the UK home credit division. In April 2000 he assumed responsibility for the insurance division.


Peter Bretherton Robin Ashton John Maxwell John van Kuffeler

Remuneration committee
Angela C M Heylin (Chairman)
Charles H Gregson
John H Maxwell

Risk advisory committee
Charles H Gregson (Chairman)
Howard J Bell
Angela C M Heylin
John H Maxwell

Peter W Bretherton LLM Director of Corporate Affairs, age 55
Graduated in law and qualified as a solicitor in 1970. He joined Provident Financial as company solicitor in 1977 and became a member of the board in 1983. He was Company Secretary from 1978 to April 2000. He has held a wide range of head office responsibilities and has served as Chairman of a number of the group's operating companies. He is now responsible for international development and corporate affairs.

John A Harnett BA ACA Finance Director, age 46
Qualified as a chartered accountant in 1981 having graduated in business studies. He joined the group in April 1999 and was appointed to the board as Finance Director. He has previously held positions as Finance Director of Allied Colloids PLC and Holliday Chemical Holdings plc.

Charles H Gregson BA Deputy Chairman and senior non-executive director, age 53
Joined the board of Provident Financial in 1995 as a non-executive director and was appointed Deputy Chairman in April 1997. He is a director of United Business Media plc and Executive Chairman of Garban-Intercapital PLC.

Angela C M Heylin OBE FIPR Non-executive director, age 57
Joined the board of Provident Financial in April 1997. She is UK President of BSMG Worldwide and is also a non-executive director of Mothercare plc. She is Chairman of the House of St Barnabas, a home for homeless women in Soho, and is a trustee of Historic Royal Palaces.

John H Maxwell CA CIMgt Non-executive director, age 56
Joined the board of Provident Financial on 15 May 2000. He is Deputy Chairman of Atlantic Telecom Group PLC and a director of Wellington Underwriting plc and Wellington Underwriting Agencies Limited. He is also a governor of the Royal Ballet School.


Howard Bell Angela Heylin John Harnett Charles Gregson

DIRECTORS' REPORT

The directors submit their report for the financial year ended 31 December 2000.

1 Review of the business

1.1 A full review of the group's activities, performance and prospects is contained in the Chairman's statement, the Chief Executive's review and the Financial review on pages 4 to 27 of this report.

1.2 Provident Financial plc ("the company") is a holding company. Details of the main trading subsidiary undertakings are contained on page 55 in note 9 of the notes to the accounts.

2 Dividends

An interim dividend of 10.9p per ordinary share was paid on 20 October 2000. The board recommends a final dividend of 16.4p per ordinary share to be paid on 9 May 2001 to shareholders on the register at the close of business on 17 April 2001. This makes a total dividend for the year of 27.3p per ordinary share.

3 Share capital

3.1 Decrease in issued ordinary share capital

During the year the ordinary share capital in issue decreased by 9,759,655 to 248,931,030. Details are set out on page 64 in note 20 of the notes to the accounts.

3.2 Employee savings-related share option schemes

No further options can be granted under the Provident Financial plc Employee Savings-Related Share Option Scheme 1983 ("the 1983 scheme"). The current scheme is the Provident Financial plc Employee Savings-Related Share Option Scheme 1993 ("the 1993 scheme"). Additionally, the company has established a separate scheme, the Provident Financial plc International Employee Savings-Related Share Option Scheme ("the 2000 scheme"), for employees who are resident outside the UK. Options have been granted under the 2000 scheme to group employees in the Republic of Ireland. Details of options granted and exercised are shown in the tables in paragraphs 3.4 and 3.5 below.

3.3 Executive share option schemes

No further options can be granted under the Provident Financial plc Senior Executive Share Option Scheme ("the 1985 scheme"). The current schemes are the Provident Financial plc Senior Executive Share Option Scheme (1995) ("the 1995 scheme") and the Provident Financial plc Senior Executive Share Option Scheme (1996) ("the 1996 scheme"). Details of options granted and exercised are shown in the tables in paragraphs 3.4 and 3.5 below.

3.4 Share option schemes: grants 1 January 2000 – 26 February 2001

Date of grant of option	Name of scheme	Number of shares	Exercise price (p)	Normal exercise dates
28 February 2000	1995 scheme	11,538	520	February 2003 – February 2010
28 February 2000	1996 scheme	436,203	520	February 2003 – February 2010
7 March 2000	1995 scheme	68,173	521.5	March 2003 – March 2010
7 March 2000	1996 scheme	636,827	521.5	March 2003 – March 2010
5 September 2000	1993 scheme	627,799	712	November 2003 – April 2008
5 September 2000	2000 scheme	31,014	712	November 2003 – April 2006

3.5 Share option schemes: exercises 1 January 2000 – 26 February 2001 and outstanding options

Name of scheme	Options exercised in 2000	Options outstanding at 31 December 2000	Normal exercise dates	Exercise price (p)	Exercised from 1.1.01 to 26.02.01
1983 scheme	4,595	–	–	–	–
1985 scheme	–	182,000	up to 2005	256.5 and 276.5	10,000
1993 scheme	989,596	2,636,942	up to 2008	140 – 744	10,859
1995 scheme	–	232,892	up to 2010	520 – 1,037	–
1996 scheme	37,514	2,667,586	up to 2010	450 – 1,037	–
2000 scheme	–	31,014	up to 2006	712	–

3.6 The Provident Financial Qualifying Employee Share Ownership Trust ("the QUEST")

The QUEST, a discretionary trust for the benefit of group directors and employees, operates in conjunction with the 1993 scheme. The trustee, Provident Financial Trustees Limited, is a subsidiary of the company. As at 1 January 2000, the trustee held 3,010,783 ordinary shares in the company. 992,360 ordinary shares were transferred to directors and employees on the exercise of options pursuant to the employee savings-related share option schemes during 2000. 637,887 ordinary shares were allotted to the QUEST on 19 December 2000. On 31 December 2000 the trustee held 2,656,310 ordinary shares in the company. Further details are set out on page 56 in note 10 of the notes to the accounts.

3.7 Purchases of shares

3.7.1 At the annual general meeting of the company held on 29 April 1999 the shareholders authorised the company to purchase up to 26 million of its ordinary shares. In February and March 2000 the company purchased ordinary shares pursuant to this authority. The purpose was to return excess capital to shareholders and enhance the company's earnings per share. Details of the shares purchased are shown in the table in paragraph 3.7.2 below.

3.7.2 Purchase of shares: 2000

Date of purchase (2000)	Number of shares	Nominal value £	Price per share (p)	Consideration £	Costs £	% of current issued share capital	Date of cancellation (2000)
24 February	300,000	31,091	520.00	1,560,000	11,700	0.12	09 March
24 February	400,000	41,455	518.00	2,072,000	15,540	0.16	09 March
25 February	4,426,703	458,767	515.14	22,803,497	171,029	1.78	09 March
29 February	225,000	23,318	513.56	1,155,500	8,669	0.09	09 March
01 March	36,000	3,731	512.30	184,430	1,386	0.01	10 March
06 March	250,000	25,909	520.00	1,300,000	9,750	0.10	13 March
08 March	1,000,000	103,636	517.00	5,170,000	38,775	0.40	17 March
09 March	481,000	49,849	519.80	2,500,190	18,756	0.19	17 March
10 March	700,000	72,545	518.86	3,632,000	27,240	0.28	17 March
13 March	500,000	51,818	516.28	2,581,385	19,364	0.20	28 March
14 March	25,000	2,591	515.00	128,750	967	0.01	28 March
15 March	866,800	89,832	516.95	4,480,856	33,607	0.35	28 March
16 March	215,000	22,282	520.00	1,118,000	8,385	0.09	28 March
	9,425,503	976,824		48,686,608	365,168	3.78	

3.7.3 A further authority for the company to purchase its own shares will be sought from shareholders at the forthcoming annual general meeting ("the AGM") to be held on 26 April 2001.

3.8 Substantial shareholdings
The company has received notifications from Axa Sun Life Investment Management Limited, Fidelity International Limited/FMR Corporation, Legal & General Investment Management Limited, The Prudential Assurance Company Limited and Prudential plc that each is interested in more than 3% of the ordinary share capital of the company. On the basis of the information available to the company, these and the following investment managers (through segregated managed funds) have interests in aggregate amounting to over 3%:

Schroder Investment Management Limited	9.37%
Fidelity International Limited/FMR Corporation	6.92%
Prudential plc	5.42%
The Prudential Assurance Company Limited	4.97%
Axa Sun Life Investment Management Limited	3.29%
Legal & General Investment Management Limited	3.09%
Morley Fund Management Limited	3.07%

4 Directors
4.1 The directors of the company are shown on pages 28 and 29 of this report.

4.2 In accordance with the articles of association, R J Ashton and A C M Heylin retire by rotation and, being eligible, offer themselves for re-election at the AGM.

4.3 J H Maxwell was appointed as a director on 15 May 2000 after the 2000 annual general meeting. He offers himself for election at the AGM.

4.4 The directors' interests in shares of the company and its subsidiaries are disclosed on page 37.

4.5 During the year no director had a material interest in any contract of significance to which the company or a subsidiary undertaking was a party.

4.6 As permitted by section 310(3)(a) of the Companies Act 1985, the company maintains liability insurance cover for directors and officers of the company.

5 Corporate governance
Full details of the company's approach to corporate governance, the remuneration report and the statement of compliance with the Combined Code are set out on pages 34 to 42 of this report.

6 Employee involvement
6.1 The company operates the Provident Financial plc Employee Savings-Related Share Option Scheme (1993) (referred to in paragraph 3.2 above). 2,224 employees are currently saving to buy shares in the company under this scheme. One of the three directors of the trustee company of the QUEST has been selected by group employees.

6.2 The company produces an annual report for staff which comments on the published annual results. There are also operating company newsletters, team briefings, staff meetings and conferences, including trades union meetings in those companies which recognise unions.

6.3 The group operates a number of pension schemes. Involvement in the two major group pension schemes, which together cover most of the group employees, is achieved by the appointment of member trustees of each scheme and by regular newsletters and communications from the trustees to members.

6.4 The company achieved recognition by Investors in People in 1997 and re-recognition in 2000. It is fully committed to encouraging employees at all levels to study for relevant educational qualifications and to training employees at all levels in the group.

7 Community involvement and donations
7.1 The group's community involvement is referred to on pages 20 to 23 of this report.

7.2 During the year, the company made donations for charitable purposes of £191,406. The group invested a further £569,419 in support of community programmes (based on the London Benchmarking Group's guidelines). No political donations were made.

8 Health and safety
The health and safety policy is a matter which is considered annually by the board. The group attaches great importance to the health and safety of both its employees and other people who may be affected by its activities.

9 The environment
9.1 The company's policy is to protect and improve the quality of life through sound environmental practice. All aspects of the group's business and related activities are conducted in such a way as to minimise the effect, so far as possible, of any environmentally harmful activities or processes.

9.2 The company recently commissioned a formal environmental review of its activities. This has provided recommendations for further development of environmental management and will facilitate the formulation of future environmental objectives and targets.

10 Equal opportunities
The company is committed to equal opportunity in recruitment, promotion and employment and does not discriminate on the basis of sex, race or religion. It gives full and fair consideration to applications for employment from disabled persons and to their subsequent training and career development.

11 Supplier policy statement
11.1 The company agrees terms and conditions for its business transactions with suppliers and payment is made in accordance with these, subject to the terms and conditions being met by the supplier.

11.2 The company acts as a holding company and had no trade creditors at 31 December 2000. The average number of days' credit taken by the group during the year was 26 days (1999 23 days).

12 European monetary union (EMU)
Working parties have been established within the group. They have considered the implications for the introduction of the euro. Responsibility for EMU preparation rests with a steering group chaired by J A Harnett. The costs associated with the introduction of the euro in the Republic of Ireland are not significant. It is too early to forecast the potential costs of the euro's introduction in the UK.

13 Auditors
PricewaterhouseCoopers have expressed their willingness to continue in office as the company's auditors and a resolution to reappoint them and to authorise the directors to fix their remuneration will be proposed at the AGM.

14 Annual general meeting
The 41st annual general meeting of the company will be held at 12 noon on Thursday 26 April 2001 at the Cedar Court Hotel, Mayo Avenue, off Rooley Lane, Bradford, West Yorkshire BD5 8HZ. The Notice of Meeting, together with an explanation of the items of business, will be contained in the Chairman's letter to shareholders to be dated 23 March 2001.

By order of the board

Rosamond J Marshall Smith
Company Secretary
5 March 2001

CORPORATE GOVERNANCE

1 Introduction

This section explains how the company has applied the principles set out in section 1 of the Combined Code, being the principles of good governance and code of best practice prepared by the Hampel Committee on Corporate Governance, appended to, but not forming part of, the Listing Rules of the Financial Services Authority.

2 Directors

2.1 The board leads and controls the company. It currently comprises an executive Chairman, four executive directors and three non-executive directors; it is thus well balanced. Each of the non-executive directors is independent for the purposes of the Combined Code (namely, independent of management and free from any business or other relationship which could materially interfere with the exercise of his or her independent judgement).

2.2 The board meets seven times a year, including an annual planning conference. Additional meetings are called when required and there is frequent contact between meetings where necessary to progress the company's business. A pack of board papers (including a detailed agenda) is sent to each director in the week before the board meeting so that he or she has sufficient time to review them. A detailed paper is provided on any issue where the board is to be asked to make a decision. All directors are therefore able to bring independent judgement to bear on issues such as strategy, performance, resources and standards of conduct.

2.3 All directors are able to consult with the Company Secretary. In addition, there is a formal procedure by which any director may take independent professional advice at the company's expense in the performance of his or her duties. The appointment and removal of the Company Secretary is a matter for the board.

2.4 Under the company's articles of association, one third of the directors are obliged to retire each year. A director who is initially appointed by the board is subject to election at the annual general meeting following his or her appointment. In 2000, biographical details of the directors submitted for election and re-election at the annual general meeting were supplied to shareholders in the relevant circular dated 24 March 2000.

2.5 Non-executive directors are appointed for fixed periods of three years, subject to election by shareholders. Their initial three years may be extended for one further three year period (and, in exceptional cases, for a further three year period), subject to re-election by shareholders.

2.6 Training for directors is reviewed annually. Where a new director is appointed, full consideration is given to training needs and an appropriate individual induction programme is arranged.

2.7 The roles of the Chairman and Chief Executive are separated. The non-executive Deputy Chairman is the senior member other than the Chairman to whom concerns can be conveyed. The executive directors are responsible for the day-to-day running of the group but the board has a formal schedule of matters specifically reserved to it for decision, including corporate strategy, approval of budgets, financial results, new board appointments, proposals for dividend payments and the approval of all major transactions. This schedule is reviewed on an annual basis and was last amended on 13 December 2000.

3 Board committees

3.1 The board has appointed five committees. All committees have written terms of reference which are reviewed on an annual basis.

3.2 Audit committee

3.2.1 From 1 January to 12 May 2000 this committee consisted of P A Davis, A C M Heylin and J C Hodkinson under the chairmanship of C H Gregson. J C Hodkinson ceased to be a director and a member on 12 May 2000. P A Davis ceased to be a director and a member on 22 June 2000. From 22 June to 31 December 2000 this committee consisted of C H Gregson and A C M Heylin under the chairmanship of J H Maxwell.

3.2.2 It meets three times a year and forms an important part of the group's control framework. It keeps under review the adequacy of internal financial controls, accounting policies and financial reporting. It also keeps under review non-audit services provided to the company by its auditors, seeking to balance the maintenance of objectivity and value for money. Meetings are attended by both the internal and external auditors as required and by the Finance Director. At least once a year the members of the committee meet with the external auditors without an executive director being present. The internal audit function reports to the audit committee. This guarantees the function's independence from group management and ensures that appropriate action is taken in response to audit findings.

3.3 Executive committee

3.3.1 From 1 January to 27 April 2000, this committee consisted of R J Ashton, H J Bell, P W Bretherton, P R Fryer and J A Harnett under the chairmanship of J P van Kuffeler. On 27 April 2000, P R Fryer ceased to be a director and a member, J P van Kuffeler ceased to be a member and H J Bell became chairman of this committee.

3.3.2 It meets as required and deals with matters relating to the running of the group, other than those matters reserved to the board and those specifically assigned to the other committees. There is a formal schedule of matters reserved to it for decision.

3.4 Nomination committee

3.4.1 From 1 January to 12 May 2000 this committee consisted of H J Bell, P A Davis, C H Gregson, A C M Heylin and J C Hodkinson under the chairmanship of J P van Kuffeler. J C Hodkinson ceased to be a director and a member on 12 May 2000 and P A Davis ceased to be a director and a member on 22 June 2000. J H Maxwell became a member on 22 June 2000.

3.4.2 Its remit is to assist the board in the process of the selection and appointment of any new director.

3.5 Remuneration committee

3.5.1 From 1 January to 12 May 2000 this committee consisted of C H Gregson, A C M Heylin and J C Hodkinson under the chairmanship of P A Davis. J C Hodkinson ceased to be a director and a member on 12 May 2000. P A Davis ceased to be a director and a member on 22 June 2000. From 22 June to 31 December 2000 this committee consisted of C H Gregson and J H Maxwell under the chairmanship of A C M Heylin.

3.5.2 It considers the framework of executive remuneration and makes recommendations to the board. It also considers the specific remuneration packages and conditions of service of the executive directors, including their service agreements. It meets at least three times a year.

3.6 Risk advisory committee

3.6.1 From 1 January to 12 May 2000 this committee consisted of H J Bell, P A Davis, C H Gregson and A C M Heylin under the chairmanship of J C Hodkinson. J C Hodkinson ceased to be a director and a member on 12 May 2000. P A Davis ceased to be a director and a member on 22 June 2000. From 22 June to 31 December 2000 this committee consisted of H J Bell, A C M Heylin and J H Maxwell under the chairmanship of C H Gregson.

3.6.2 Its function is to keep under review the effectiveness of the group's system of internal non-financial controls, including operational and compliance controls and risk management.

4 Remuneration report

4.1 Introduction

For many years the company has followed accepted best practice in matters concerning executive directors' service agreements and remuneration. The remuneration committee ("the committee") consists of the non-executive directors. Details of the membership of the committee are set out in paragraph 3.5.1 above.

4.2 Remuneration policy

4.2.1 The remuneration policy applied by the committee is based on the need to attract, reward, motivate and retain executive directors in a manner consistent with the long-term accumulation of value for shareholders. The committee is also conscious of the need to avoid paying more than is reasonable for this purpose.

4.2.2 The committee has considered the best practice provisions in Schedule A of the Combined Code. It determines executive packages for each of the executive directors. No director is involved in deciding his own remuneration.

4.2.3 The committee consults with the Chairman about the proposals for the Chief Executive's salary and with the Chief Executive about the proposals for the other executive directors. The committee has access to professional advice from both inside and outside the company.

4.3 Directors' remuneration

4.3.1 The executive directors' remuneration consists of an annual salary, an annual cash bonus and other benefits. In addition, the directors participate in share option schemes and pension schemes.

4.3.2 Salaries for executive directors are reviewed annually and changes are effective from 1 January. For 2001, there was a review of salaries taking into account the group's business performance, salary and bonus trends in the UK and each individual director's performance. Comparisons were made with appropriate companies of similar size and with broadly comparable activities but without giving undue weight to these. The executive directors' salary increases averaged 7.4% and these increases were implemented from 1 January 2001.

4.3.3 Annual cash bonuses are payable. They are calculated as a percentage of salary.

4.3.3 (a) Executive directors are eligible for annual cash bonuses by reference to the growth in the company's earnings per share over the previous financial year and the achievement of agreed personal objectives. For 2001, no bonus will be payable if growth in earnings per share is less than 6%. Up to 20% of salary will be payable if growth in earnings per share is 6% and the percentage rises to a maximum of 100% of salary for 23.5% growth in earnings per share, provided that each director's agreed personal objectives have also been achieved.

4.3.3 (b) The purpose of the bonus scheme is to provide a meaningful incentive for executive directors which is clearly focused on improving the group's performance and directly aligns shareholder and executive director interests.

4.3.3 (c) Bonuses do not form part of pensionable earnings.

4.3.4 The executive directors are provided with company-owned cars, fuel, long-term disability income under the company's insured permanent health policy and medical cover for them and their immediate families. Benefits in kind are not pensionable.

4.3.5 Full details of salaries, bonus earnings and other benefits for 2000 (with 1999 comparative figures) are set out in the table of directors' remuneration in paragraph 4.3.7 below.

4.3.6 The fees for the non-executive directors are fixed by the board. Their business expenses are reimbursed. Full details of their fees for 2000 (with 1999 comparative figures) are set out in the table of directors' remuneration in paragraph 4.3.7 below.

4.3.7 Directors' remuneration

The aggregate directors' emoluments during the year amounted to £2,106,000 (1999 £1,866,000) analysed as follows:

	Salary £'000	Bonus £'000	Benefits £'000	Fees £'000	2000 Total £'000	1999 Total £'000
Executive Chairman						
J P van Kuffeler	380	131	21	–	532	447
Executive directors						
H J Bell	325	112	24	–	461	370
R J Ashton	225	78	20	–	323	257
P W Bretherton	212	73	57	–	342	271
P R Fryer*	61	–	9	–	70	247
J A Harnett	200	69	17	–	286	163
	1,023	332	127	–	1,482	1,308
Non-executive directors						
P A Davis*	–	–	2	13	15	29
C H Gregson	–	–	–	25	25	25
A C M Heylin	–	–	–	25	25	29
J C Hodkinson*	–	–	2	9	11	28
J H Maxwell**	–	–	–	16	16	–
	–	–	4	88	92	111
Total	1,403	463	152	88	2,106	1,866

* Remuneration in 2000 up to date of resignation as a director.
** Remuneration in 2000 from date of appointment as a director.

4.3.8 Compensation for loss of office

P R Fryer retired as a director on 27 April 2000 and it was agreed that he would continue to receive basic salary and certain benefits until his normal retirement date of 24 June 2002. The total salary and benefits payable to this date amount to £452,000. Under the arrangement he has the right to exercise outstanding executive share options in respect of 166,537 shares until December 2002, at prices ranging between 276.5p and 985p.

4.4 Directors' interests in shares

4.4.1 The interests of the directors in the issued share capital of the company were as follows:

	Beneficial holdings Number of shares	
	31 December 2000	1 January 2000
J P van Kuffeler	181,542	181,542
H J Bell	203,893	222,431
R J Ashton	57,996	55,693
P W Bretherton	150,743	155,069
J A Harnett	8,000	–
C H Gregson	1,837	1,837
A C M Heylin	1,100	–
J H Maxwell	2,100	–*

* At date of appointment as a director.

4.4.2 As at 31 December 2000 P W Bretherton had a non-beneficial interest in 21,553 shares (1 January 2000 12,461).

4.4.3 There were no changes in either beneficial or non-beneficial holdings between 31 December 2000 and 26 February 2001.

4.4.4 The QUEST operates in conjunction with the Provident Financial plc Employee Savings-Related Share Option Scheme (1993) and shares are transferred from the QUEST to employees when they exercise options. The directors, as beneficiaries under the QUEST along with group employees, are technically treated as having an interest in the shares held by the QUEST. As at 31 December 2000, the QUEST held 2,656,310 shares in the company.

4.5 Share option schemes

4.5.1 Directors' share options at 31 December 2000 were as follows:

Director's name	1 January 2000	Granted in 2000	Exercised in 2000	31 December 2000	Exercise price (p)	Market price at date of exercise (p)	Range of exercisable dates of options held at 31 December 2000
J P van Kuffeler	45,000	–	–	45,000	450.0		9/1999-9/2006
	75,803	–	–	75,803	638.5		9/2000-8/2007
	37,664	–	–	37,664	985.0		8/2001-8/2008
	3,395	–	–	3,395*	508.0		11/2002-4/2003
	47,483	–	–	47,483	979.3		3/2002-3/2009
	–	38,462	–	38,462	520.0		2/2003-2/2010
	209,345	38,462	–	247,807			
H J Bell	20,000	–	–	20,000	256.5		3/1997-2/2004
	20,000	–	–	20,000	276.5		3/1998-2/2005
	5,176	–	–	5,176*	226.0		8/2002-1/2003
	30,000	–	–	30,000	450.0		9/1999-9/2006
	62,647	–	–	62,647	638.5		9/2000-8/2007
	1,358	–	–	1,358*	508.0		11/2002-4/2003
	30,964	–	–	30,964	985.0		8/2001-8/2008
	39,314	–	–	39,314	979.3		3/2002-3/2009
	–	816	–	816*	712.0		11/2003-4/2004
	–	40,385	–	40,385	520.0		2/2003-2/2010
	209,459	41,201	–	250,660			
R J Ashton	30,000	–	–	30,000	450.0		9/1999-9/2006
	43,774	–	–	43,774	638.5		9/2000-8/2007
	2,620	–	–	2,620*	744.0		11/2005-4/2006
	20,660	–	–	20,660	985.0		8/2001-8/2008
	26,651	–	–	26,651	979.3		3/2002-3/2009
	–	30,001	–	30,001	520.0		2/2003-2/2010
	123,705	30,001	–	153,706			
P W Bretherton	2,785	–	(2,785)	–*	140.0	849.0	8/2000-1/2001
	20,000	–	–	20,000	256.5		3/1997-2/2004
	20,000	–	–	20,000	276.5		3/1998-2/2005
	3,451	–	–	3,451*	226.0		8/2002-1/2003
	30,000	–	–	30,000	450.0		9/1999-9/2006
	44,448	–	–	44,448	638.5		9/2000-8/2007
	1,535	–	–	1,535*	508.0		11/2004-4/2005
	524	–	–	524*	744.0		11/2005-4/2006
	20,832	–	–	20,832	985.0		8/2001-8/2008
	26,447	–	–	26,447	979.3		3/2002-3/2009
	–	948	–	948*	712.0		11/2005-4/2006
	–	19,233	–	19,233	520.0		2/2003-2/2010
	170,022	20,181	(2,785)	187,418			
J A Harnett	33,269	–	–	33,269	1,037.0		5/2002-5/2009
	–	87,500	–	87,500	520.0		2/2003-2/2010
	33,269	87,500	–	120,769			
Total	745,800	217,345	(2,785)	960,360			

* employee savings-related share options

4.5.2 The executive share option schemes provide a longer term incentive for executive directors and senior managers. The committee considers that these schemes are an important part of the link between the interests of shareholders and of executive directors and senior managers. The grant of options under these schemes to executive directors and senior managers is normally considered once in each year after the announcement of the company's results in accordance with a formula based on a multiple of salary. No executive options have been offered at a discount.

4.5.3 The Provident Financial plc Senior Executive Share Option Scheme (1995) is an Inland Revenue approved scheme. The aggregate exercise prices of the options held by an executive must not exceed £30,000. The Provident Financial plc Unapproved Senior Executive Share Option Scheme (1996) is not approved by the Inland Revenue. The aggregate exercise prices of the options held by an executive must not exceed four times his salary (as defined in this scheme). Both schemes have performance targets which have to be met before any options can be exercised. Broadly, these are that over a three year period the real growth in earnings per share must average 3% a year (after making appropriate adjustments for inflation).

4.5.4 The executive directors (together with other eligible group employees) participate in the Provident Financial plc Employee Savings-Related Share Option Scheme (1993). Participants save a fixed sum each month for three or five years and have the option to use these funds to purchase shares after three, five or seven years. The exercise price is fixed at up to 20% below the market value of the shares at the date directors and employees are invited to participate in the scheme. Up to £250 can be saved each month.

4.5.5 The aggregate notional gain (representing the difference between the exercise price and the market price of the shares at the date of exercise) made by all the directors on the exercise of share options during 2000 amounted to £20,000 (1999 £1,050,000).

4.5.6 The company's highest paid director in 2000 was J P van Kuffeler, whose emoluments amounted to £532,000 (1999 £447,000) and whose notional gain (representing the difference between the exercise price and the market price of the shares at the date of exercise) on the exercise of share options amounted to £nil (1999 £430,000).

4.5.7 None of the options held by the directors lapsed during the year.

4.5.8 The mid-market closing price of the company's shares on 31 December 2000 was 989p and the range during 2000 was 500.5p to 1,036p.

4.5.9 There were no changes in directors' share options between 31 December 2000 and 26 February 2001.

4.5.10 None of the directors has notified the company of an interest in any other shares, transactions or arrangements which requires disclosure.

4.6 Pensions and life assurance

4.6.1 There are three directors (1999 four) for whom retirement benefits are accruing under the Provident Financial Senior Pension Scheme ("the senior pension scheme") and two directors (1999 two) for whom retirement benefits are accruing under money purchase schemes.

4.6.2 J P van Kuffeler and J A Harnett each have a defined contribution personal pension arrangement and each is also a member of the Provident Financial Supplemental Pension Scheme, which was established for employees whose benefits from tax-approved schemes are restricted by the earnings cap. Life assurance benefit up to the level of the earnings cap is provided by the senior pension scheme; additional death in service benefit is provided by the Provident Financial Unapproved Funded Death Benefits Scheme.

4.6.3 For J P van Kuffeler, the company contributes 23% of his basic salary to his pension arrangements, which are invested to produce benefits at his normal retirement date at age 60 or on death. He is also eligible for a lump sum death benefit of four times basic salary at date of death. Provision of these benefits is through personal pension policies, the Provident Financial Supplemental Pension Scheme and the Provident Financial Unapproved Funded Death Benefits Scheme. The company's contributions in respect of J P van Kuffeler during 2000 (including the cost of the life insurance) amounted to £90,964 (1999 £79,400).

4.6.4 For J A Harnett, the position is identical to that specified in paragraph 4.6.3 for J P van Kuffeler, except that the company contributes 20% of his basic salary to his pension arrangements. The company's contributions in respect of J A Harnett during 2000 (including the cost of the life insurance) amounted to £41,408 (1999 £24,387).

4.6.5 The executive directors, except J P van Kuffeler and J A Harnett, participate in the senior pension scheme, a defined benefit scheme which provides pensions and other benefits within Inland Revenue limits. The senior pension scheme provides, in respect of service from 1 January 2000, a pension of up to two-thirds of basic salary at the normal retirement date at age 60. (The pension provided in respect of service prior to 1 January 2000 is up to two-thirds of basic salary at the normal retirement date at age 60 reduced by an amount approximately equal to two-thirds of the single person's basic rate state pension from state pension age.) The senior pension scheme is contributory and directors contribute at the rate of 6% of basic salary. (Prior to 1 January 2000 the directors contributed at the rate of 6% of basic salary net of an amount approximately equal to the single person's basic rate state pension.)

4.6.6 Details of the pension entitlements earned during 2000 are set out below:

Director's name	Age 31 December 2000	Accrued annual pension* 31 December 2000 £	Accrued annual pension* 31 December 1999 £	Increase in annual pension** 2000 £	Increase in annual pension** 1999 £	Director's contribution 2000 £	Director's contribution 1999 £
H J Bell	56	196,400	159,500	35,200	22,200	18,200	15,200
R J Ashton	42	74,100	57,500	15,900	9,400	12,500	10,300
P W Bretherton	55	119,300	100,800	17,400	14,100	12,100	10,400

* Accrued annual pension is the pension to which the director would be entitled at his normal retirement date based on the number of years of pensionable service at 31 December 2000, assuming no further contributions after that date.
** Increase in annual pension is the increase during the year in the accrued annual pension arising from the changes in pensionable service and salary, over and above any general increase to compensate for inflation.

4.6.7 The senior pension scheme also provides spouses' pensions (of four-ninths of basic salary at date of death if the director dies in service and two-thirds of the director's pension if the director dies in retirement) and lump sums on death in service (of four times basic salary at date of death plus a return of the director's contributions). If the director does not leave a spouse, the pension will be paid to any dependants at the discretion of the trustees of the senior pension scheme.

4.6.8 A director can normally retire under the senior pension scheme rules at any time between ages 50 and 60, in which case the pension payable would be the accrued pension (based on salary and pensionable service at the date he leaves the service of the company) reduced to reflect the longer period for which it will be paid.

4.6.9 Pensions in respect of service up to 1 January 2000 are guaranteed to increase, when in payment, at a rate of 5% each year. Pensions in respect of service from 1 January 2000 are guaranteed to increase each year by the lower of the annual increase in the retail prices index and 5%. Discretionary increases may be granted by the trustees with the consent of the company.

4.6.10 There are no discretionary benefits for which allowance is made when calculating transfer values on leaving service.

4.7 Service agreements

The executive directors have service agreements which require two years' notice to be given by the company. The company and the committee consider that the two year notice periods are in the best interests of the group. The company has a policy and a record of retaining its executive directors and management over the longer term and providing them with extensive development opportunities and with support in their study for qualifications. In view of the group's specialist businesses, the main concern is to retain senior management and seek to ensure that they are not able to leave and make their valuable experience and training available to a competitor without adequate safeguards.

4.8 Directors' service agreements and the 2001 annual general meeting

4.8.1 J H Maxwell was appointed as a director on 15 May 2000 and is offering himself for election at the forthcoming annual general meeting ("AGM") to be held on 26 April 2001. He has a term of appointment which expires on 14 May 2003.

4.8.2 Two directors are offering themselves for re-election at the AGM. R J Ashton has a service agreement with a two year notice period. A C M Heylin has a term of appointment which expires on 22 April 2003.

4.8.3 Two directors are offering themselves for election at the AGM for the first time. Both C C Johnstone and D R Swann have a service agreement with a two year notice period.

4.8.4 The board considered on 25 January 2001 whether or not the policy set out in the remuneration report should be an agenda item for the AGM and decided that it would not form part of the agenda.

4.9 External appointments

The committee believes that the company and the executive director concerned can benefit from the director accepting appropriate external appointments, including appointment to a non-associated company as a non-executive director. The committee will generally allow up to two appointments. In normal circumstances, directors are permitted to retain fees and expenses from external appointments.

4.10 Audit

All elements of the directors' remuneration, including pension entitlements and share options, have been audited.

5 Relations with shareholders

5.1 The directors meet with institutional shareholders on a regular basis.

5.2 The company encourages private investors to attend the AGM. The chairmen of all the board committees are available to answer questions from shareholders. There is an opportunity for shareholders to ask questions generally and on each resolution proposed.

5.3 At the 2000 AGM details of proxy votes cast on each resolution were made available to shareholders and other interested parties.

5.4 At the 2000 AGM the company proposed separate resolutions on substantially separate issues and will continue to do so. The company has in previous years generally given shareholders longer notice of the AGM than is required by law. Last year 21 working days' notice of the 2000 AGM was given; this year 21 working days' notice is again being given.

5.5 The company established the Provident Financial Company Nominee Scheme to enable shareholders to take advantage of a low-cost telephone dealing service through the CREST electronic settlement system. Members of this scheme receive all documents sent to shareholders and may attend, speak and vote at the AGM.

6 Accountability and audit

6.1 The board presents the company's position and prospects in as clear a way as possible, both by means of the accounts and in circulars and reports to shareholders.

6.2 The board is responsible for the group's system of internal control. Any system can provide only reasonable and not absolute assurance of meeting internal control objectives.

6.3 The group's internal audit function is provided by Ernst & Young. (From January to September 2000 it was provided by KPMG). The audit committee formally agrees the internal audit plan once a year and reviews regular reports on the activity of the internal audit function.

6.4 The key elements of the internal control system which have been established are as follows:

6.4.1 In December each year the board approves detailed budgets and cash flow forecasts for the year ahead. It also approves outline projections for the subsequent three years. A detailed review takes place at the half-year. Actual performance against budgets is monitored in detail regularly and reported monthly for review by the directors. The company reports to shareholders on a half-yearly basis.

6.4.2 The audit committee keeps under review the adequacy of internal financial controls in conjunction with the internal auditors and reports to the board annually. An annual programme of work which targets and reports on higher risk areas is carried out by the internal auditors. The operation of internal financial controls is monitored by regular management reviews, including a procedure by which operating companies certify compliance quarterly.

6.4.3 In December 1999 the risk advisory committee was established (see paragraph 3.6 above) following a review of the group's system of internal control. This committee considers the nature and extent of the risks facing the group, keeps them under review and notifies the board of changes in the status and control evaluation of risks. It reports to the board on an annual basis. In addition, the risk advisory group was established, consisting of the executive directors, the director of group accounting and the company secretary. This group formally reviews internal risk assessments from each division three times a year and directs reviews of internal controls and particular areas of risk. It reports to the risk advisory committee.

6.4.4 The board requires its subsidiaries to operate in accordance with its corporate policies and subsidiaries are obliged to certify compliance on an annual basis.

6.4.5 The directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and of the group and to prevent and detect material fraud and other irregularities.

6.4.6 The board has reviewed the effectiveness of the group's framework of internal controls during 2000.

6.5 The assets of the group's two major pension schemes are held separately from those of the group and are administered by separate boards of trustees chaired by P W Bretherton. Member trustees are appointed to each of the two trustee boards. The funds' assets are managed independently by Legal & General Assurance (Pensions Management) Limited, Merrill Lynch Investment Managers and Schroder Properties Limited and are held by custodians independent of the company and these companies. The rules of all the schemes prevent self-investment by the trustees in either shares of the company or property of the group.

7 Directors' responsibilities in relation to the accounts

7.1 The following statement, which should be read in conjunction with the independent auditors' report on page 67, is made to distinguish for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

7.2 The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the group's profit or loss and cash flows for the financial year. The directors consider that in preparing the accounts on pages 44 to 66 the group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable Accounting Standards have been followed.

7.3 The directors have responsibility for ensuring that the company and the group keep accounting records which disclose with reasonable accuracy the financial position of the company and of the group and which enable them to ensure that the accounts comply with the Companies Act 1985.

7.4 This document (the annual report and accounts 2000) will be published on the company's website (in addition to the normal paper version). The maintenance and integrity of the Provident Financial website is the responsibility of the directors and the work carried out by the auditors does not involve consideration of these matters.

7.5 Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

8. Statement of compliance with the Combined Code

The company has complied with all the provisions in Sections A, B, C and D of the Combined Code throughout 2000, with the exception of B.1.7. It is not considered appropriate that the notice periods in the executive directors' contracts should be reduced to one year for the reasons set out in paragraph 4.7 above.

ACCOUNTS

Contents

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December	Notes	2000 £'000	1999 £'000
Turnover	1	727,894	582,561
Cost of sales		(395,517)	(290,676)
Gross profit		332,377	291,885
Administrative expenses		(172,158)	(136,864)
Operating profit and profit before taxation	1	160,219	155,021
Taxation	3	(42,613)	(43,406)
Profit after taxation		117,606	111,615
Dividends	4	(65,810)	(63,683)
Retained profit for the year	23	51,796	47,932
Earnings per share			
Basic	5	47.52p	43.15p
Diluted	5	47.27p	42.79p

The results shown in the profit and loss account derive wholly from continuing activities.
There is no material difference between the result for the year as shown above and the historical cost equivalent.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December	2000 £'000	1999 £'000
Profit after taxation	117,606	111,615
Currency translation differences	160	(1,099)
Total recognised gains and losses relating to the year	117,766	110,516

BALANCE SHEETS

as at 31 December	Notes	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Fixed assets					
Tangible assets	8	26,677	23,600	4,771	5,015
Investments in subsidiary undertakings	9	–	–	895,433	157,099
Investment in own shares	10	14,507	12,474	14,507	12,474
		41,184	36,074	914,711	174,588
Current assets					
Amounts receivable from customers					
– due within one year	11(a)	637,706	565,662	–	–
– due in more than one year	11(a)	9,497	9,470	–	–
Debtors	14	162,727	130,342	436,108	406,908
Investments					
– realisable within one year	15(b)	330,000	256,302	–	–
– realisable in more than one year	15(b)	–	10,000	–	–
Cash at bank and in hand	15(a)	50,881	42,423	893	63
		1,190,811	1,014,199	437,001	406,971
Current liabilities					
Bank and other borrowings	12	(37,133)	(23,138)	(19,218)	(13,862)
Creditors – amounts falling due within one year	16	(166,091)	(167,315)	(99,314)	(89,681)
Insurance accruals and deferred income	17	(374,611)	(306,660)	–	–
		(577,835)	(497,113)	(118,532)	(103,543)
Net current assets		612,976	517,086	318,469	303,428
Total assets less current liabilities		654,160	553,160	1,233,180	478,016
Non-current liabilities					
Bank and other borrowings	12	(384,908)	(294,144)	(348,407)	(272,308)
Creditors – amounts falling due after more than one year	18	–	–	–	(6,718)
Provisions for liabilities and charges – deferred taxation	19	(2,566)	–	(1,426)	(1,177)
		(387,474)	(294,144)	(349,833)	(280,203)
Net assets		266,686	259,016	883,347	197,813
Capital and reserves					
Called up share capital	20	25,798	26,705	25,798	26,705
Share premium account	21	51,638	47,211	51,638	47,211
Merger reserve		–	–	2,335	2,335
Revaluation reserve		1,641	1,641	2,703	2,703
Other reserves	22	3,967	2,990	739,412	2,163
Profit and loss account	23	183,642	180,469	61,461	116,696
Equity shareholders' funds	24	266,686	259,016	883,347	197,813

These accounts were approved by the board on 5 March 2001.

John van Kuffeler Chairman
John Harnett Finance Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December	2000 £'000	1999 £'000
Net cash inflow from operating activities (see page 47)	136,994	128,278
Taxation		
UK corporation tax	(48,217)	(15,173)
Overseas tax	(1,411)	(4,351)
	(49,628)	(19,524)
Capital expenditure and financial investment		
Capital expenditure:		
Purchase of tangible fixed assets	(10,269)	(7,674)
Sale of tangible fixed assets	1,024	948
Options exercised (QUEST shares)	2,509	2,029
Financial investments other than liquid resources:		
Sale of investments	35,000	35,000
	28,264	30,303
Equity dividends paid	(63,367)	(60,924)
Management of liquid resources		
Purchase of investments	(2,276,770)	(1,283,230)
Sale of investments	2,178,072	1,250,563
	(98,698)	(32,667)
Financing		
Issue of share capital	224	472
New short and medium term loans	20,000	57,866
Repayment of short and medium term loans	–	(14,874)
Net movement on existing short and medium term loans	77,766	(42,695)
Share buy-back	(49,052)	(35,591)
	48,938	(34,822)
Increase in cash in the period	2,503	10,644

The cash flow statement above has been prepared in accordance with FRS 1 (Revised 1996) "Cash Flow Statements". As required by that standard, the statement aggregates the cash flows arising from the motor insurance and home credit divisions. However, the cash and investments held by the motor insurance division are required by its regulators to be strictly segregated from the rest of the group and are not available to repay group borrowings. A commentary on the group's borrowings and investments has been included in the Financial review on pages 24 to 27.

At 31 December 2000 the cash and investments held by the motor insurance division amounted to £342.5m (1999 £292.4m).

Liquid resources consist of bank and building society deposits that have a term of either one year or less to maturity when acquired.

CONSOLIDATED CASH FLOW STATEMENT continued

Reconciliation of net cash flow to movement in net debt	2000 £'000	1999 £'000
Increase in net cash in the period	2,503	10,644
Cash outflow from increase in liquid resources	98,698	32,667
	101,201	43,311
Cash inflow from increase in debt	(97,766)	(297)
Change in net debt resulting from cash flows	3,435	43,014
Exchange adjustments	(1,038)	–
Net debt at 1 January	(53,557)	(96,571)
Net debt at 31 December	(51,160)	(53,557)

Analysis of changes in net debt	1 January 2000 £'000	Cash flows £'000	Other changes £'000	31 December 2000 £'000
Cash at bank and in hand	42,423	8,458	–	50,881
Overdrafts	(6,434)	(5,955)	–	(12,389)
	35,989	2,503	–	38,492
Investments realisable within one year	221,302	98,698	–	320,000
Bank and other borrowings				
– less than one year	(16,704)	(1,322)	(6,718)	(24,744)
– more than one year	(294,144)	(96,444)	5,680	(384,908)
Net debt	(53,557)	3,435	(1,038)	(51,160)

Other changes include non-cash changes of £6,718,000 and exchange losses of £1,038,000.

Cash, borrowings and overdraft balances shown above at 31 December 2000 and 1999 agree to the balance sheets at those dates. Investments realisable within one year exclude those current asset investments which are not considered to be liquid resources (being those investments with more than one year to maturity when acquired, but less than one year to maturity at the balance sheet date).

Reconciliation of operating profit to net cash inflow from operating activities	2000 £'000	1999 £'000
Operating profit	160,219	155,021
Depreciation	5,935	5,044
Loss on sale of tangible fixed assets	312	128
Increase in amounts receivable from customers	(72,071)	(43,918)
Increase in debtors	(33,098)	(22,327)
Increase in unearned insurance premiums	43,030	21,857
Increase/(decrease) in insurance claims provision	24,608	(7,110)
(Decrease)/increase in amounts due to retailers	(1,741)	506
Increase in accruals	8,488	5,297
Increase in other liabilities and deferred income	1,312	13,780
Net cash inflow from operating activities	136,994	128,278
Analysed as:		
Net cash inflow from UK home credit	131,320	125,819
Net cash outflow from international home credit	(50,936)	(19,480)
Net cash inflow from motor insurance	67,163	27,935
Net cash outflow from central	(10,553)	(5,996)
Net cash inflow from operating activities	136,994	128,278

PRINCIPAL ACCOUNTING POLICIES

Accounting convention
The accounts have been prepared in compliance with the Companies Act 1985 and in accordance with applicable Accounting Standards. They have been prepared under the historical cost convention as modified to include the valuation of land and buildings at 31 December 1994.

Basis of consolidation
The consolidated profit and loss account and balance sheet include the accounts of the company and its subsidiary undertakings drawn up to the end of the financial year. The results of subsidiary undertakings acquired and sold during the year are included in the consolidated profit and loss account from the dates of acquisition or to the dates of disposal. Inter-company sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

Goodwill
Goodwill arising on acquisition, being the excess of the purchase consideration over the fair value of the assets acquired, is capitalised and amortised over its estimated useful economic life. Goodwill arising on acquisitions prior to the introduction of FRS 10 “Goodwill and Intangible Assets” is eliminated against reserves. On the subsequent disposal or closure of a business, goodwill previously eliminated against reserves is charged to the profit and loss account.

Revenue on instalment credit agreements
The charge payable by the customer on the amount of credit advanced is the group’s revenue. It is included in the customer’s account balance at the inception of the instalment credit agreement and is recognised in the profit and loss account as follows:

(i) at the inception of the agreement, the profit and loss account is credited with a proportion of revenue:
   - mainly to cover initial expenses, and
   - relating to debt insurance,

   other than an amount sufficient to cover the cost of potential rebates to customers for early settlement;

(ii) the balance of revenue remaining is carried forward in the balance sheet as deferred revenue, to be credited to the profit and loss account in future periods. A proportion of this deferred revenue is credited to the profit and loss account in future periods on the “sum of the digits” method, mainly to cover finance costs, and the balance is credited proportionately to collections received.

Amounts receivable from customers
Provision is made for all doubtful debts based on formulae which reflect the historical performance of the various categories of delinquent debtors or on the expected performance where there is insufficient historical experience. The relevant proportion is appropriated from deferred revenue and the balance from the profit and loss account.

Debts are written off when all reasonable steps to recover them have been taken without success.

Insurance underwriting
In respect of motor insurance business, which is underwritten by Provident Insurance plc and undertaken on a reinsurance basis by Provident Reinsurance Limited, credit is taken for premium income over the life of the policy and commission and expenses are also charged over the life of the policy. The provision for outstanding claims is based on the estimated cost of settlement, including related administration costs, of all claims reported which remain outstanding at the balance sheet date, and claims incurred prior to the balance sheet date but not reported.

Investments
Deposits with financial institutions are stated at the lower of cost and estimated realisable value. Fixed interest securities which are generally held to maturity are valued at amortised cost. The amortisation is calculated so as to write off the difference between the purchase price and the maturity value over the life of the security. Gains and losses on disposals of investments are dealt with in the profit and loss account when realised.

Investment in own shares
Shares in the company held by the QUEST are shown at their estimated recoverable amount, being the option price of the shares payable by employees. The amount contributed to the QUEST in excess of the option price is charged against reserves. The company has taken advantage of the exemption in UITF Abstract 17 “Employee Share Schemes” (Revised 2000) in respect of accounting for its employee savings-related share option schemes which states that the requirements of the Abstract need not be applied to such schemes.

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost or valuation. On adoption of FRS 15 “Tangible Fixed Assets”, the group followed the transitional provisions to retain the book value of land and buildings at 31 December 1999 which were revalued in 1994 but not to adopt a policy of revaluation in the future. Costs that are directly attributable to the development of new business application software are capitalised.

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

	%	Method
Land	Nil	–
Freehold and long leasehold buildings	2½	Straight line
Short leasehold buildings	Over the lease period	Straight line
Fixtures and fittings	10	Straight line
Equipment including computers	20 to 33⅓	Straight line
Motor vehicles	25	Reducing balance

Any impairment in value is charged to the revaluation reserve or the profit and loss account as appropriate.

Operating leases
Costs in respect of operating leases are charged on a straight line basis over the lease term.

Deferred taxation
To the extent that either a liability or benefit is expected to arise in the foreseeable future, deferred taxation is calculated using the liability method, that is on all timing differences at the rates of tax ruling at the dates when those timing differences are expected to reverse.

Pension scheme arrangements
Contributions to separately administered pension funds are charged to the profit and loss account to spread the costs of pensions over the employees' working lives. The regular pension costs are attributed to individual years using the projected unit method. Variations in pension costs, which are identified as a result of actuarial valuations, are amortised over the average remaining service lives of employees.

Foreign currencies
Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Profits and losses of subsidiary undertakings and branches which have currencies of operation other than sterling are translated into sterling at average rates of exchange. Assets and liabilities denominated in foreign currencies are translated at the year end exchange rates or the contracted rate to the extent hedged.

Exchange differences arising from the retranslation of the opening net assets of subsidiary undertakings and branches, which have currencies of operation other than sterling, net of any related foreign currency loans taken out to hedge overseas investments, are taken to reserves, together with the differences arising when the profit and loss accounts are translated at average rates and compared with rates ruling at the year end. Other exchange differences are taken to the profit and loss account.

Financial instruments
The group uses derivative financial instruments to hedge exposures to fluctuations in interest and foreign exchange rates. Instruments accounted for as hedges are structured so as to reduce the market risk associated with the underlying transaction being hedged and are designated as a hedge at the inception of the contract.

Interest rate swap and cap agreements are used to manage interest rate exposures. Amounts payable or receivable in respect of these financial instruments are recognised as adjustments to interest payable or receivable over the periods of the contracts.

Foreign exchange contracts which hedge balance sheet assets and liabilities are revalued at closing rates and exchange differences arising are taken to reserves. Gains and losses on contracts hedging forecast transactional cash flows are recognised in the hedged periods.

Cash flows associated with derivative financial instruments are classified in the cash flow statement in the same way as the transactions being hedged.

Turnover
Turnover, which excludes value added tax and both intra-segmental and inter-segmental transactions, comprises:

UK home credit	Revenue earned
International home credit	Revenue earned
Motor insurance	Underwriting: premiums written net of reinsurance
	Broking: commission and fees earned

1 Segmental reporting

Analyses by class of business and geographical location of turnover, profit before taxation and net assets are set out in notes (a) and (b) below:

(a) Class of business	Turnover 2000 £'000	Turnover 1999 £'000	Profit before taxation 2000 £'000	Profit before taxation 1999 £'000	Net assets 2000 £'000	Net assets 1999 £'000
UK home credit	457,242	422,633	146,985	143,911	231,096	189,940
International home credit	41,901	8,757	(6,745)	(8,434)	(6,005)	(3,596)
Motor insurance	228,751	151,171	30,549	25,374	98,093	77,552
	727,894	582,561	170,789	160,851	323,184	263,896
Central	–	–	(10,570)	(5,830)	(56,498)	(4,880)
Total	727,894	582,561	160,219	155,021	266,686	259,016

The international home credit loss before taxation can be analysed as follows:

	2000 £'000	1999 £'000
Poland	(2,769)	(2,657)
Czech Republic	87	(2,679)
South Africa	(789)	(703)
Central divisional overheads	(3,274)	(2,395)
Total	(6,745)	(8,434)

(b) Geographical analysis by location	Turnover 2000 £'000	Turnover 1999 £'000	Profit before taxation 2000 £'000	Profit before taxation 1999 £'000	Net assets 2000 £'000	Net assets 1999 £'000
UK and Republic of Ireland	685,993	573,804	174,260	166,890	313,679	269,564
Poland	26,020	4,785	(2,769)	(2,657)	8,015	(2,939)
Czech Republic	14,167	3,611	87	(2,679)	(1,761)	(2,087)
South Africa	1,714	361	(789)	(703)	3,251	(642)
	727,894	582,561	170,789	160,851	323,184	263,896
Central	–	–	(10,570)	(5,830)	(56,498)	(4,880)
Total	727,894	582,561	160,219	155,021	266,686	259,016

Analyses by class of business are based on the group's divisional structure.

Turnover between segments is not material and there is no material difference between the geographical analysis of turnover by location and by destination.

2 Profit before taxation is stated after:

	2000 £'000	1999 £'000
Charging:		
Interest on borrowings (included in cost of sales) – bank loans and overdrafts	22,931	16,547
– other loans	1,648	1,934
Auditors' remuneration – audit services (company £47,000; 1999 £42,000)	250	196
– tax compliance and advice	407	502
– other non-audit services	92	49
Depreciation of tangible fixed assets	5,935	5,044
Loss on sale of tangible fixed assets	312	128
Operating lease rentals – equipment	84	260
– property	5,628	4,563
Crediting:		
Investment income (included in cost of sales)	20,811	22,949

In the last quarter of 1999 the company purchased 5.2 million shares at a cost of £35.5 million, which were subsequently cancelled. In addition, in the first quarter of 2000 the company purchased and cancelled a further 9.4 million shares at a cost of £49.1 million. These purchases of 14.6 million shares at a cost of £84.6 million gave rise to additional interest costs in 2000 compared with 1999.

If these transactions had taken place on 1 January 1999, an additional interest cost of £5.1 million would have been incurred in 1999 resulting in a reduction in profit before taxation from £155.0 million to £149.9 million. Consequently, on a like for like basis, the profit in 2000 increased by 6.9%, from £149.9 million to £160.2 million.

3 Taxation

	2000 £'000	1999 £'000
The charge for taxation on the profit for the year comprises:		
UK corporation tax chargeable on the profit for the year at 30% (1999 30.25%)	45,409	44,373
Deferred tax (note 19(c))	1,247	134
Overseas tax	1,331	4,153
	47,987	48,660
Prior year corporation tax	(6,082)	(4,138)
Prior year deferred tax (note 19(c))	2,032	(3,890)
Prior year overseas tax	(1,324)	2,774
Total	42,613	43,406

Retained profits of certain overseas subsidiaries would, if remitted to the UK, be subject to additional taxation for which no provision has been made in these accounts as there is currently no intention to remit such profits. The effective tax rate for 2000 is below the standard rate of UK corporation tax owing to the favourable agreement of prior year tax liabilities.

4 Dividends

	2000 £'000	1999 £'000
Ordinary shares:		
Interim dividend paid of 10.9p per share (1999 9.9p)	25,421	25,737
Proposed final dividend of 16.4p per share (1999 14.9p)	40,389	37,946
Total	65,810	63,683

5 Earnings per share

The basic and diluted earnings per share figures have been calculated using the profit for the year attributed to ordinary shareholders of £117,606,000 (1999 £111,615,000) and the weighted average number of shares in issue during the year.

The weighted average number of shares in issue during the year can be reconciled to the number used in the basic and diluted earnings per share calculations as follows:

Weighted average number of shares	2000 Number	1999 Number
In issue during the year	250,221,347	262,281,979
Held by the QUEST	(2,727,626)	(3,640,080)
Used in basic earnings per share calculation	247,493,721	258,641,899
Issuable on conversion of outstanding options	1,286,831	2,190,714
Used in diluted earnings per share calculation	248,780,552	260,832,613

6 Directors' remuneration

Details of directors' remuneration, share options, pension contributions and pension entitlements are included in the remuneration report on pages 35 to 41.

7 Employee information

(a) The average number of persons employed by the group (including executive directors) was as follows:	2000 Number	1999 Number
UK home credit	2,939	2,740
International home credit	1,425	482
Motor insurance	1,315	1,255
Central	41	37
Total	5,720	4,514
Analysed as:		
Full-time	5,158	3,990
Part-time	562	524
Total	5,720	4,514

(b) Group employment costs – all employees (including executive directors)	2000 £'000	1999 £'000
Aggregate gross wages and salaries paid to the group's employees	90,635	74,916
Employers' national insurance contributions	8,664	6,328
Pension costs (note 26)	6,114	5,634
Total	105,413	86,878

8 Tangible fixed assets

(a) Group	Freehold land and buildings £'000	Leasehold land and buildings £'000	Equipment and vehicles £'000	Total £'000
Cost or valuation				
At 1 January 2000:				
Cost	1,246	1,492	40,603	43,341
Valuation in 1994	8,601	410	–	9,011
Exchange adjustments	–	–	87	87
Additions at cost	–	–	10,269	10,269
Disposals	–	(56)	(6,933)	(6,989)
	9,847	1,846	44,026	55,719
At 31 December 2000:				
Cost	1,246	1,436	44,026	46,708
Valuation	8,601	410	–	9,011
	9,847	1,846	44,026	55,719
Depreciation				
At 1 January 2000	1,094	501	27,157	28,752
Exchange adjustments	–	–	8	8
Charged to profit and loss account	240	64	5,631	5,935
Eliminated on disposal	–	(4)	(5,649)	(5,653)
At 31 December 2000	1,334	561	27,147	29,042
Net book value at 31 December 2000	8,513	1,285	16,879	26,677
Net book value at 31 December 1999	8,753	1,401	13,446	23,600

Leasehold land and buildings consist of:
(i) long leases at a cost/valuation of £959,000 and a net book value of £781,000; and
(ii) short leases at a cost of £887,000 and a net book value of £504,000.

The historical cost and related depreciation of land and buildings included at a cost/valuation is:

	Freehold land and buildings		Long leasehold land and buildings	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Historical cost	10,625	10,625	790	790
Depreciation based on cost	(3,966)	(3,706)	(154)	(135)
Historical cost net book value	6,659	6,919	636	655

8 Tangible fixed assets continued

(b) Company	Freehold land and buildings £'000	Leasehold land and buildings £'000	Equipment and vehicles £'000	Total £'000
Cost or valuation				
At 1 January 2000:				
Cost	624	–	1,827	2,451
Valuation in 1994	3,776	180	–	3,956
Additions at cost	–	–	255	255
Disposals	–	–	(230)	(230)
Transfers to group companies	–	–	(19)	(19)
	4,400	180	1,833	6,413
At 31 December 2000:				
Cost	624	–	1,833	2,457
Valuation	3,776	180	–	3,956
	4,400	180	1,833	6,413
Depreciation				
At 1 January 2000	539	23	830	1,392
Charged to profit and loss account	110	4	306	420
Eliminated on disposal	–	–	(150)	(150)
Transfers to group companies	–	–	(20)	(20)
At 31 December 2000	649	27	966	1,642
Net book value at 31 December 2000	3,751	153	867	4,771
Net book value at 31 December 1999	3,861	157	997	5,015

Leasehold land and buildings consist of long leases at a cost/valuation of £180,000 and a net book value of £153,000.

The historical cost and related depreciation of land and buildings included at a cost/valuation is:

	Freehold land and buildings		Long leasehold land and buildings	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Historical cost	2,652	2,652	17	17
Depreciation based on cost	(1,171)	(1,103)	(11)	(11)
Historical cost net book value	1,481	1,549	6	6

9 Investment in subsidiary undertakings

	Loans £'000	Shares at cost £'000	Total £'000
At 1 January 2000	–	166,139	166,139
Amounts subscribed for during the year	551,803	257,062	808,865
Disposals	–	(70,531)	(70,531)
At 31 December 2000	551,803	352,670	904,473
Provision for diminution in value:			
At 1 January 2000 and 31 December 2000	–	9,040	9,040
Total cost less provision at 31 December 2000	551,803	343,630	895,433
Total cost less provision at 31 December 1999	–	157,099	157,099

The loan and share subscription during the year arose as a result of an inter-group reorganisation to create a more efficient capital structure that more accurately reflects the group's management structure.

The following are the subsidiary undertakings which, in the opinion of the directors, principally affect the profit or assets of the group. A full list of subsidiary undertakings will be annexed to the next annual return of the company to be filed with the Registrar of Companies.

		Country of incorporation or registration	Class of capital	% holding
UK home credit	Provident Personal Credit Limited	England	Ordinary	100*
	Greenwood Personal Credit Limited	England	Ordinary	100*
International home credit	Provident International Limited	England	Ordinary	100*
	Provident Polska S.A.	Poland	Ordinary	100*
	Provident Financial s.r.o.	Czech Republic	Ordinary	100*
Motor insurance	Provident Insurance plc	England	Ordinary	100
	Colonnade Reinsurance Limited	Guernsey	Ordinary	100
			Preference	100
	Provident Reinsurance Limited	Guernsey	Ordinary	100*
	Colonnade Insurance Brokers Limited	England	Ordinary	100*

* Shares held by wholly-owned intermediate holding companies

The above companies operate principally in their country of incorporation or registration. Provident South Africa operates as a branch of Provident Personal Credit Limited.

The financial year end of all subsidiaries is 31 December except for Provident Insurance plc. That company's financial year end is 30 June which, in the opinion of the directors, facilitates the negotiation of reinsurance arrangements. Accordingly, the management accounts of that company for the year ended 31 December 2000, which have been audited for the purposes of the group accounts, have been consolidated.

10 Investment in own shares

The QUEST is a discretionary trust established for the benefit of the employees of the group. The company has also established Provident Financial Trustees Limited, a wholly owned subsidiary undertaking, to act as trustee of the QUEST. All costs relating to the QUEST are dealt with in the profit and loss account as they accrue. The trustee has waived the right to receive dividends on the shares it holds.

At 31 December 2000 the QUEST held 2,656,310 (1999 3,010,783) shares with a cost of £22,430,000 (1999 £24,072,000) and a market value of £26,271,000 (1999 £21,075,000). In accordance with UITF Abstract 13 "Accounting for ESOP Trusts" the shares have been included in the balance sheets of the company and the group and written down to the price at which the option was granted in respect of each share (being an aggregate of £14,507,000). The amount contributed to the QUEST in excess of the option price has been charged against reserves.

11 Amounts receivable from customers

(a) Instalment credit receivables	Group 2000 £'000	Group 1999 £'000
Gross instalment credit receivables	976,269	878,917
Less: provision for bad and doubtful debts (note 11(b))	(79,220)	(84,771)
Instalment credit receivables after provision for bad and doubtful debts (note 12(a))	897,049	794,146
Less: deferred revenue thereon	(249,846)	(219,014)
Total	647,203	575,132
Analysed as – due within one year	637,706	565,662
– due in more than one year	9,497	9,470
Total	647,203	575,132

At 31 December 2000 the net amounts receivable from UK home credit customers were £585,449,000 (1999 £562,052,000) and from international home credit customers were £61,754,000 (1999 £13,080,000).

(b) Bad and doubtful debts	Group 2000 £'000	Group 1999 £'000
Gross provision at 31 December (note 11(a))	79,220	84,771
Less: deferred revenue thereon	(24,400)	(23,948)
Net provision at 31 December	54,820	60,823
Net provision at 1 January	(60,823)	(53,229)
(Decrease)/increase in provision (net of deferred revenue)	(6,003)	7,594
Amounts written off (net of deferred revenue)	82,307	64,558
Net charge to profit and loss account for bad and doubtful debts	76,304	72,152
Analysed as – UK home credit	71,460	71,098
– international home credit	4,844	1,054
Total	76,304	72,152

The gross provision is made against the total amount receivable from customers which includes unearned service charges ("deferred revenue"). The relevant proportion of the gross provision is appropriated from deferred revenue and the balance from the profit and loss account.

12 Maturity of instalment credit receivables, borrowing facilities available and borrowings

(a) Group	2000 Instalment credit receivables £'000	2000 Borrowing facilities available £'000	2000 Borrowings £'000	1999 Instalment credit receivables £'000	1999 Borrowing facilities available £'000	1999 Borrowings £'000
Repayable:						
On demand	–	15,701	12,389	–	8,187	6,434
In less than 6 months	657,731	20,000	18,026	577,568	17,500	9,986
In 6 – 12 months	226,033	6,718	6,718	203,422	6,718	6,718
In less than 12 months	883,764	42,419	37,133	780,990	32,405	23,138
In 12 – 24 months	13,285	23,582	18,592	13,156	6,718	6,718
In 24 – 60 months	–	230,596	189,294	–	178,175	95,426
In more than 60 months	–	229,000	177,022	–	279,000	192,000
In more than 12 months	13,285	483,178	384,908	13,156	463,893	294,144
Total	897,049	525,597	422,041	794,146	496,298	317,282

(b) Company	2000 Borrowing facilities available £'000	2000 Borrowings £'000	1999 Borrowing facilities available £'000	1999 Borrowings £'000
Repayable:				
On demand	15,701	12,487	8,187	6,459
In less than 6 months	20,000	6,731	17,500	7,403
In less than 12 months	35,701	19,218	25,687	13,862
In 24 – 60 months	207,007	171,406	136,869	80,308
In more than 60 months	229,000	177,001	279,000	192,000
In more than 12 months	436,007	348,407	415,869	272,308
Total	471,708	367,625	441,556	286,170

(c) Borrowing facilities and borrowings

Borrowing facilities comprise arrangements with banks for term loans and committed revolving loan and acceptance credit facilities in a number of currencies for periods of up to seven years, together with overdrafts and uncommitted loans which are repayable on demand.

At 31 December 2000 borrowings under these facilities amounted to £422,041,000 (company £367,625,000) (1999 £317,282,000; company £286,170,000). These borrowings are under:

(i) committed revolving loan and acceptance credit facilities which are generally drawn for periods of three to six months, then repaid and redrawn;

(ii) borrowings on overdrafts and uncommitted loan facilities which are repayable on demand; and

(iii) a bank loan denominated in US$. This loan is repayable in annual instalments of US$10 million. At 31 December 2000, US$10 million was outstanding. Currency swap arrangements have been established to fix the sterling equivalent of the loan and £6,718,000 was outstanding on 31 December 2000 (1999 £13,436,000). Interest rate swap arrangements have been established to convert the floating US$ interest rate to a rate linked to six month sterling LIBOR.

The borrowings shown in notes 12(a) and 12(b) are analysed by reference to the maturity of the facility under which they are drawn as required by FRS 4. None of the borrowing facilities is repayable by instalments, other than the bank loan denominated in US$.

12 Maturity of instalment credit receivables, borrowing facilities available and borrowings continued

(d) Cross currency swap arrangements

Any borrowing, the liability of which is swapped into another currency, is accounted for as a liability in the swap currency and not in the original currency of denomination.

(e) Undrawn committed borrowing facilities

The undrawn committed borrowing facilities at 31 December 2000 were as follows:

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Expiring within one year	5,286	9,267	16,483	11,825
Expiring within one to two years	4,990	–	–	–
Expiring in more than two years	93,280	169,749	87,600	143,561
Total	103,556	179,016	104,083	155,386

13 Derivatives and other financial instruments

An explanation of the group's objectives, policies and strategies in the use of derivatives and other financial instruments is included in the Financial review on pages 24 to 27. The numerical disclosures in this note deal with financial assets and financial liabilities as defined in FRS 13 "Derivatives and Other Financial Instruments: Disclosures".

As permitted by FRS 13 short-term debtors and creditors have been excluded from the disclosures other than the currency disclosures in note 13(e).

(a) Interest rate profile of financial liabilities

After taking account of the various interest rate swaps entered into by the group and the currency swap arrangements referred to in note 12(d) (but before the interest rate caps of up to £100 million referred to below), the interest rate exposure on the group's borrowings at 31 December 2000 was:

		2000			1999	
Currency	Total £'000	Fixed £'000	Floating £'000	Total £'000	Fixed £'000	Floating £'000
Sterling	347,719	255,000	92,719	293,236	175,000	118,236
Irish punt	10,938	–	10,938	8,928	–	8,928
Polish zloty	40,045	25,098	14,947	8,382	–	8,382
Czech crown	23,339	–	23,339	6,736	–	6,736
Total	422,041	280,098	141,943	317,282	175,000	142,282

At 31 December 2000, the group's floating rate borrowings were £141,943,000 as shown in the table above. In accordance with FRS 13, these are defined as borrowings which have their interest rates reset at least once a year. In practice, the group typically draws down on its borrowing facilities for periods of between three and six months. The group's exposure to increases in interest rates on the sterling floating rate borrowings position at 31 December 2000 is also protected by interest rate caps on borrowings of up to £100 million at rates of between 7.4% and 8.4% until January 2003.

The weighted average interest rate on sterling fixed rate borrowings at 31 December 2000 amounted to 6.3% (1999 6.2%) and the weighted average period to maturity was 2.7 years (1999 1.3 years).

The weighted average interest rate on Polish zloty fixed rate borrowings at 31 December 2000 amounted to 17.0% and the weighted average period to maturity was 2.7 years.

The floating rate borrowings bear interest at rates linked to relevant national LIBOR equivalents.

13 Derivatives and other financial instruments continued

(b) Interest rate profile of financial assets

After taking account of the various interest rate swaps entered into by the group, the interest rate exposure on the group's cash and investments, which are denominated in sterling, at 31 December 2000 was:

		2000			1999	
	Total £'000	Fixed £'000	Floating £'000	Total £'000	Fixed £'000	Floating £'000
Cash at bank and in hand	50,881	–	50,881	42,423	–	42,423
Bank and building society deposits	330,000	330,000	–	266,302	266,302	–
Total	380,881	330,000	50,881	308,725	266,302	42,423

The weighted average interest rate on fixed rate investments at 31 December 2000 amounted to 6.5% (1999 6.8%) and the weighted average period to maturity was 2.5 years (1999 2.7 years).

The floating rate cash and investments bear interest at rates linked to LIBOR.

(c) Fair values

The fair values and book values of the group's financial instruments by category at 31 December 2000 are set out below:

	2000		1999	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Primary financial instruments held to finance the group's operations:				
Current asset investments	330,000	330,000	266,302	266,302
Cash at bank and in hand	50,881	50,881	42,423	42,423
Bank loans and overdrafts	(415,323)	(415,323)	(303,846)	(303,846)
US$ bank loan	(6,718)	(6,628)	(13,436)	(12,364)
Derivative financial instruments held to manage the interest and currency profile:				
Currency swap re US$ bank loan*	–	(127)	–	(1,333)
Other currency swaps – contracts in loss	–	(2,628)	–	–
Interest rate swaps on borrowings – contracts in profit	–	195	–	1,515
– contracts in loss	–	(4,462)	–	(63)
Interest rate swaps on investments – contracts in profit	–	6,157	–	1,234
– contracts in loss	–	(768)	–	(4,068)
Interest rate caps	583	22	713	261

* The deferred loss on this currency swap is mainly offset by the deferred gain on its underlying liability (the US$ bank loan).

Market values have been used to determine the fair values of the group's financial instruments.

(d) Hedging instruments

The table below shows the extent to which the group has unrecognised and deferred gains and losses, in respect of financial instruments used as hedges, at the beginning and end of the year.

All gains and losses on the hedging instruments are expected to be matched by losses and gains on the hedged transactions or positions.

13 Derivatives and other financial instruments continued

(d) Hedging instruments continued

The US$ bank loan, which is fully hedged by a currency swap arrangement, is translated at the forward rate inherent in the contract. Consequently, the carrying value of the loan effectively includes the gain or loss on the hedging instrument, which is treated as deferred for the purpose of the table below:

Gains and losses on hedging instruments	Unrecognised Gains £'000	Unrecognised Losses £'000	Unrecognised Total net gains/(losses) £'000	Deferred Gains £'000	Deferred Losses £'000	Deferred Total net gains/(losses) £'000
At 1 January 2000	3,010	(4,393)	(1,383)	–	(1,071)	(1,071)
Arising in previous years that were recognised in 2000	(2,398)	1,301	(1,097)	–	610	610
Arising in previous years not recognised in 2000	612	(3,092)	(2,480)	–	(461)	(461)
Arising in 2000	5,762	(4,803)	959	–	371	371
Gains and losses on hedging instruments at 31 December 2000	6,374	(7,895)	(1,521)	–	(90)	(90)
Of which:						
Gains and losses expected to be recognised in 2001	2,291	(4,979)	(2,688)	–	(90)	(90)
Gains and losses expected to be recognised in 2002 or later	4,083	(2,916)	(1,167)	–	–	–

(e) Currency exposures

As explained in the group's accounting policy, exchange differences arising from the retranslation of the opening net assets of subsidiary undertakings and branches, which have currencies of operation other than sterling, net of any related foreign currency loans taken out to hedge overseas investments, are taken to reserves, together with the differences arising when the profit and loss accounts are translated at average rates and compared with rates ruling at the year end.

The table below shows the extent to which group companies have monetary assets and liabilities in currencies other than their functional currency. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the group subsidiary concerned and the group. The position at 31 December 2000 was as follows:

Functional currency of group operation	Net foreign currency monetary assets/(liabilities) Polish zloty £'000	Czech crown £'000	Total £'000
Sterling	611	1,290	1,901

The position at 31 December 1999 was as follows:

Functional currency of group operation	Net foreign currency monetary assets/(liabilities) Polish zloty £'000	Czech crown £'000	Total £'000
Sterling	(860)	(779)	(1,639)

The above tables exclude the US$ bank loan because it is fully hedged by a currency swap arrangement.

(f) Instruments held for trading purposes

None of the group's financial instruments is held for trading purposes.

14 Debtors – amounts falling due within one year

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Trade debtors	66,652	51,306	–	–
Amounts recoverable from reinsurers	57,494	51,141	–	–
Other debtors	5,209	1,311	217	206
Prepayments and accrued income	17,156	15,478	9,390	7,780
Commissions prepaid to insurance brokers and deferred acquisition costs	16,216	10,393	–	–
Amounts owed by group undertakings	–	–	426,501	398,922
Deferred taxation (note 19(c))	–	713	–	–
Total	162,727	130,342	436,108	406,908

15 Investments and cash at bank and in hand

(a) Investments and cash at bank and in hand comprise:	Group 2000 £'000	Group 1999 £'000
Bank, building society and other fixed interest deposits at cost (note 15(b))	330,000	266,302
Cash at bank and in hand	50,881	42,423
Total	380,881	308,725

All the investments and £12,530,000 (1999 £26,092,000) of the cash at bank and in hand are held by Provident Insurance plc, Colonnade Reinsurance Limited, Provident Reinsurance Limited and Colonnade Insurance Brokers Limited. The regulators of these companies require their investments and cash to be retained within the relevant company and these monies cannot be used to finance other parts of the group or to repay group borrowings. These monies are invested and held on deposit, pending future claims payments and payments to insurance companies.

(b) The maturity of the investments shown above is analysed as follows:	Group 2000 £'000	Group 1999 £'000
Realisable within one year	330,000	256,302
Realisable in more than one year but less than two years	–	10,000
Total	330,000	266,302

16 Creditors – amounts falling due within one year

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Amounts due to retailers and customers' unspent balances	20,766	22,507	–	–
Trade creditors	14,034	20,220	–	–
Amounts owed to group undertakings	–	–	37,270	29,752
Other creditors including taxation and social security	58,803	63,031	16,361	17,372
Accruals	32,099	23,611	5,294	4,611
Dividends payable	40,389	37,946	40,389	37,946
Total	166,091	167,315	99,314	89,681
Other creditors including taxation and social security comprise:				
UK corporation tax	34,076	42,966	3,337	7,145
Overseas tax	1,032	2,435	–	–
	35,108	45,401	3,337	7,145
Social security	3,044	2,061	119	110
Value added tax	55	–	–	11
Other creditors	20,596	15,569	12,905	10,106
Total	58,803	63,031	16,361	17,372

17 Insurance accruals and deferred income – amounts falling due within one year

	Group 2000 £'000	Group 1999 £'000
Provision for unpaid insurance claims	257,206	232,598
Unearned insurance premiums	116,448	73,418
Other deferred income	957	644
Total	374,611	306,660

18 Creditors – amounts falling due after more than one year

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Amounts owed to group undertakings	–	–	–	6,718

19 Deferred taxation

(a) Group	2000 Provision £'000	2000 Full potential liability £'000	1999 Asset £'000	1999 Full potential asset £'000
Accelerated capital allowances	(495)	(1,564)	(438)	(438)
Other timing differences	3,061	3,028	(275)	(275)
	2,566	1,464	(713)	(713)
Realised capital gains deferred	–	511	–	511
Deferred taxation liability/(asset)	2,566	1,975	(713)	(202)

(b) Company	2000 Provision £'000	2000 Full potential liability £'000	1999 Provision £'000	1999 Full potential liability £'000
Accelerated capital allowances	(51)	(51)	(16)	(16)
Other timing differences	1,477	1,477	1,193	1,193
Deferred taxation liability	1,426	1,426	1,177	1,177

(c) Movement in group deferred taxation (asset)/liability	2000 £'000
The movement on the group deferred taxation (asset)/liability during the year was as follows:	
At 1 January	(713)
Charged to the profit and loss account (note 3)	3,279
At 31 December	2,566

20 Called up share capital

	Group and Company 2000 Authorised £'000	2000 Issued and fully paid £'000	1999 Authorised £'000	1999 Issued and fully paid £'000
Ordinary shares of 10$\frac{5}{11}$p each	40,000	25,798	40,000	26,705

The movement on the number of shares in issue during the year is as follows:

	Number
At 1 January 2000	258,690,685
Shares issued pursuant to the exercise of options	37,514
Shares issued to the QUEST	637,887
Shares purchased and subsequently cancelled	(10,435,056)
At 31 December 2000	248,931,030

The aggregate consideration received in respect of the shares issued pursuant to the exercise of options during the year was £224,000.

Details of the shares purchased during the year are included in the directors' report on page 31.

21 Share premium account

	Group and Company 2000 £'000	1999 £'000
At 1 January	47,211	47,760
Premium on shares issued during the year	6,306	457
Premium on shares purchased and cancelled during the year	(1,879)	(1,006)
At 31 December	51,638	47,211

22 Other reserves

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Capital redemption reserve:				
At 1 January	2,163	1,624	2,163	1,624
Share buy-back	977	539	977	539
At 31 December	3,140	2,163	3,140	2,163
Retained profit capitalised by a subsidiary:				
At 1 January and 31 December	827	827	–	–
Non-distributable reserve:				
At 1 January	–	–	–	–
Inter-group reorganisation	–	–	736,272	–
At 31 December	–	–	736,272	–
Total at 31 December	3,967	2,990	739,412	2,163

The capital redemption reserve represents profits on the redemption of preference shares arising in prior years, together with the capitalisation of the nominal value of shares purchased and cancelled, net of the utilisation of this reserve to capitalise the nominal value of shares issued to satisfy scrip dividend elections.

The non-distributable reserve was created as a result of an inter-group reorganisation to create a more efficient capital structure that more accurately reflects the group's management structure.

23 Profit and loss account

	Group £'000	Company £'000
At 1 January 2000	180,469	116,696
Retained profit/(loss) for the year	51,796	(6,452)
Share buy-back	(47,173)	(47,173)
Shares issued to the QUEST (note 10)	(1,610)	(1,610)
Currency translation differences	160	–
At 31 December 2000	183,642	61,461

In accordance with the exemption allowed by Section 230 of the Companies Act 1985, the company has not presented its own profit and loss account. The profit for the financial year dealt with in the accounts of the company was £59,358,000 (1999 £169,961,000).

The group profit and loss account balance is shown after writing off cumulative goodwill of £16,229,000 (1999 £16,229,000). In addition, cumulative goodwill of £2,335,000 has been written off against the merger reserve in previous years.

24 Reconciliation of movement in equity shareholders' funds

	Group 2000 £'000	Group 1999 £'000
Profit attributable to equity shareholders	117,606	111,615
Dividends	(65,810)	(63,683)
Retained profit for the year	51,796	47,932
New share capital issued	6,376	472
Share capital cancelled on share buy-back	(1,879)	(1,006)
Share buy-back	(47,173)	(34,585)
Shares issued to the QUEST (note 10)	(1,610)	–
Currency translation differences	160	(1,099)
Net addition to equity shareholders' funds	7,670	11,714
Equity shareholders' funds at 1 January	259,016	247,302
Equity shareholders' funds at 31 December	266,686	259,016

25 Commitments

(a) Capital commitments	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Capital expenditure commitments contracted				
with third parties but not provided for at 31 December	509	408	–	–

(b) Operating lease commitments

Operating lease commitments in respect of land and buildings are as follows:

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Leases expiring:				
Within one year	2,611	1,402	16	–
Within two to five years	2,757	1,537	–	16
In more than five years	847	813	29	29
Total	6,215	3,752	45	45

26 Pension schemes

The group operates a number of pension schemes. The two major schemes, which cover 99% of scheme members, are of the funded, defined benefit type. The assets of the schemes are held in separate, trustee administered funds. The total pension cost for the group (note 7(b)) was assessed in accordance with the advice of an independent qualified actuary using the projected unit method.

The latest actuarial valuations for the schemes were as at 1 June 1998. The principal assumptions used were that the rate of return on investments would be 2.5% per annum higher than the rate of increase in salaries for the Provident Financial Staff Pension Scheme and 2% higher for the Provident Financial Senior Pension Scheme, and 4% per annum higher than the rate of increase in present and future pensions for both schemes. At 1 June 1998 the market value of the assets of the schemes was £142,755,000. The actuarial value of the assets was sufficient to cover 97% of the benefits that had accrued to members after allowing for expected future increases in earnings.

For the purposes of establishing the pension costs in the group's profit and loss account, the deficit is being amortised over the average remaining service lives of the employees who are currently members of the respective schemes. Included in the group's balance sheet is a prepayment of £5,659,000 (1999 £4,782,000), which represents the excess of the contributions paid to the schemes over the charge in the profit and loss account.

27 Related party transactions

The group recharges the two major pension schemes referred to in note 26 with a proportion of the costs of administration and professional fees incurred by the group. The total amount recharged during the year was £560,000 (1999 £719,000).

INDEPENDENT AUDITORS' REPORT

To the members of Provident Financial plc

We have audited the accounts on pages 44 to 66 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheets, the cash flow statement and the related notes together with the additional disclosures on pages 34 to 42 specified for our review by the Financial Services Authority.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the accounts in accordance with the relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. The other information comprises only the chairman's statement, the chief executive's review, the financial review, the directors' report and the corporate governance statement.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 31 December 2000 and the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Leeds
5 March 2001

INFORMATION FOR SHAREHOLDERS

1 Financial calendar – dividends

	2000 Final	2001 Interim
Dividend announced	22 February 2001	23 July 2001
Ex-dividend date for ordinary shares	11 April 2001	19 September 2001
Record date for the dividend	17 April 2001	21 September 2001
Annual general meeting	26 April 2001	
Payment date of the dividend	9 May 2001	19 October 2001

2 Share price

Information on our share price is available on Ceefax on BBC1/BBC2 and on Teletext on ITV/Channel 4. It is also available on FT Cityline (telephone: 0336 433731) and on the company's website, www.providentfinancial.com.

The share price is listed in the following daily newspapers:

Financial Times	The Daily Telegraph	The Guardian	Daily Mail	Yorkshire Post
The Times	The Independent	The Express	Evening Standard	

3 Individual Savings Account (ISA)

Shareholders may take out an ISA which includes shares in the company with a provider of their choice. However, the company has made arrangements with Redmayne Bentley for the provision of an ISA for its shareholders and employees. Shareholders who are eligible and who wish to take advantage of this should contact Redmayne Bentley, Merton House, 84 Albion Street, Leeds, West Yorkshire LS1 6AG (telephone: 0113 243 6941).

4 Tax on capital gains

4.1 For the purposes of tax on capital gains, the price of the company's ordinary shares at 31 March 1982 was 130.50p. When adjusted for the 1 for 5 scrip issue in 1986, the 5 for 2 share split in 1993, the 1 for 1 bonus issue in 1996 and the share capital consolidation in 1998, this gives a figure of 22.54p.

4.2 Shareholders for whom the price of ordinary shares at 31 March 1982 is relevant should note that their allowable expenditure in relation to future disposals of ordinary shares may also be affected by other factors, such as indexation and/or the disposal of fractional entitlements pursuant to the share capital consolidation of the company in April 1998.

5 Tax on dividends

5.1 A UK resident individual shareholder who receives a dividend is entitled to a tax credit in respect of the dividend.

5.2 The tax credit is 1/9th of the dividend (corresponding to 10% of the dividend and the associated tax credit).

5.3 A UK resident individual shareholder is therefore treated as having paid tax at 10% on the aggregate of the dividend and the associated tax credit; as starting, lower and basic rate taxpayers are liable to tax on the dividend and associated tax credit at 10%, they will have no further liability to tax in respect of the dividend.

5.4 The tax liability on dividends for UK resident higher rate taxpayers is 32.5% on the aggregate of the dividend and the associated tax credit, so that their liability for additional tax is equal to 22.5% on the aggregate of the dividend and the associated tax credit.

5.5 Except as mentioned in 5.6 below, UK resident individuals cannot claim a refund of the 10% tax credit.

5.6 Shareholders who hold their shares through PEPs or ISAs will be able to reclaim the 10% tax credit attaching to dividends paid on or before 5 April 2004.

5.7 Arrangements can be made for a shareholder's dividends to be paid directly into a nominated bank account. Details are available on request from the company's registrar (see paragraph 7 below).

6 The Provident Financial Company Nominee Scheme

6.1 The company has established the Provident Financial Company Nominee Scheme. The key features of the scheme are:

6.1.1 Your shares are held for you in a nominee account and you will receive regular statements of your account; you will not hold a share certificate;

6.1.2 It provides a facility to allow you to deal in the company's shares by means of a low-cost telephone dealing service through the CREST electronic settlement system;

6.1.3 It provides a facility for you to reinvest your dividends in the company's shares;

6.1.4 You will still retain the benefits of direct shareholding, such as prompt payments of dividends, a copy of the annual report and attendance, and voting, at the annual general meeting; and

6.1.5 The service is provided at no cost to you. However, if you wish to use the facility to deal in the company's shares or reinvest your dividends, you will have to pay charges.

6.2 Full details are available on request from the company's registrar (see paragraph 7 below).

7 Registrar

7.1 The registrar deals with all matters relating to transfers of ordinary shares in the company and with enquiries concerning holdings. The registrar is: Capita IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU (telephone: 020 8639 2000).

7.2 The registrar's website is www.capita-irg.com. This will give you access to your personal shareholding by means of your investor code (which is printed on your share certificate or statement of holding).

8 Share ownership analysis as at 26 February 2001

Shareholding range	Shareholders (Number)	Shareholders (%)
up to 1,000	2,671	38.99
1,001 – 5,000	2,577	37.61
5,001 – 50,000	1,182	17.25
50,001 – 500,000	334	4.87
500,001 – 1,000,000	37	0.54
1,000,001+	51	0.74
Total	6,852	100.00

Group senior management	Advisers	Company details
Company Secretary Rosamond J Marshall Smith BA **UK home credit division** Chris C Johnstone ACA ATII MBA Fred W Forfar MBA **International home credit division** David R Swann BA MBA **Insurance division** John R Thornton BSc MBA Nick M Illingworth BSc ACA MBA **Group functions** Richard S Heels BCom FCA (Finance) John Lomas MA FCIPD (Communications/Human Resources) David M Rees LLB (Legal)	**Auditors** PricewaterhouseCoopers **Joint financial advisers and stockbrokers** Dresdner Kleinwort Wasserstein Merrill Lynch **Registrar** Capita IRG Plc **Solicitors** Slaughter and May	**Registered office and contact details** Provident Financial plc Colonnade Sunbridge Road Bradford West Yorkshire BD1 2LQ telephone: +44 (0) 1274 731111 fax: +44 (0) 1274 727300 email: enquiries@providentfinancial.com website: www.providentfinancial.com **Company number** 668987

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