PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 00146091)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

PROVIDENT PERSONAL CREDIT LIMITED
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CONTENTS

PROVIDENT PERSONAL CREDIT LIMITED
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DIRECTORS' REPORT

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

The following reporting requirements, which the directors are required to report in the Directors' Report, have been included in the Strategic Report:

- how the directors have engaged with colleagues, how they have had regard to colleague interests and the effect of that regard, including on the principal decisions taken by the Company in the financial year (page 11); and,
- how the directors have had regard to the need to foster the Company's business relationship with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company in the financial year (pages 10 to 15).

Principal activities
The principal activity of the Company until December 2021 when trading ceased, was to provide unsecured home credit loans to customers in the UK and Republic of Ireland. The Company also provided unsecured online instalment loans to customers in the UK. The Company ceased trading at the end of the financial year.

Closure of CCD
The Company forms part of the Consumer Credit Division ('CCD') of Provident Financial plc. In November 2020, the Group communicated its intention to initiate an operational review of CCD. In response to evolving customer demand, changing home credit market dynamics and the desire to focus on larger market segments, on 10 May 2021 the Group announced its intention to withdraw from the home credit and high cost short term credit markets entirely and move to a managed wind down. Lending to customers ceased on 10 May 2021 and any remaining balances in relation to customer receivables were written off prior to the end of 2021 as no further collections activity was being performed, following which the Company ceased to trade. Further details are provided on page 8.

Results
The statement of comprehensive income for the year is set out on page 25. The loss for the year of £184.1m (2020: loss of £124.7m) has been deducted from reserves.

Dividends
The directors do not recommend a final dividend in 2021 (2020: £nil).

Provident Financial plc waived the right in 2021 and 2020 to receive the 5.165% dividend on the preference shares issued in 2002 and the 5.84% dividend on the preference shares issued in 2004.

Directors
The directors of the Company during the year ended 31 December 2021, all of whom were directors for the whole year then ended, and to the date of this report, except where stated, were:

M J Le May	Chair
N Kapur	
N L M Moore	(Appointed 30 April 2021)
H S Paton	

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

DIRECTORS' REPORT (CONTINUED)

Financial risk management
The financial and capital risk management policies of the Company are set out on pages 35 to 36.

Employee involvement
The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company and Group is encouraged as achieving a common awareness amongst all employees of the financial and economic factors affecting the Company and Group plays a major role in maintaining its competitive position. The Company encourages the involvement of employees by means of newsletters, performance updates, regular management team briefings, staff meetings and conferences. The Company also carries out regular employee engagement surveys. Save As You Earn (SAYE) and Buy As You Earn (BAYE) share schemes are operated by the Group to reinforce staff involvement in the Group and to encourage an interest in its progress. These schemes are open to all permanent employees of the Company with more than six months' service.

Climate change
Disclosures are made in the annual report and financial statements of Provident Financial plc, which does not form part of this report, in respect of the Group's:

- scope 1 and 2 greenhouse gas emissions in tonnes of carbon dioxide equivalent;
- a relevant intensity ratio (i.e. kilograms of carbon dioxide equivalent per customer); and
- information on underlying energy use for 2021.

The disclosures are produced In accordance with the UK Government's Streamlined Energy and Carbon Reporting (SECR) policy that has been implemented through the Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018. This disclosure covers the greenhouse gas emissions and energy use for the Group and its operating divisions incorporating the Company.

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

Auditor information
In accordance with section 418 of the Companies Act 2006, each person who is a director at the date of this report confirmed that:

i) so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
ii) they have taken all reasonable steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTORS' REPORT (CONTINUED)

Going concern

The Company ceased trading in December 2021 following the decision to stop lending and collect out on the remaining loan book. The remaining loan book was written off in advance of the balance sheet date. It is not intended for the Company to trade for the foreseeable future and it is expected the Company will be placed into formal wind down proceedings in the near future. The directors have reviewed the going concern basis and have therefore presented the financial statements on a basis other than going concern. The directors do not consider that this has led to any material differences than if they were prepared on a going concern basis.

BY ORDER OF THE BOARD

N L M Moore
Director
Bradford
20 May 2022

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 00146091)

STRATEGIC REPORT

The Company forms part of the Consumer Credit Division ('CCD') of Provident Financial plc and comprises Provident home credit and Satsuma. A full review of the business, and results of CCD is set out in the annual report and financial statements of Provident Financial plc, which does not form part of this report.

Closure of CCD and Scheme of Arrangement

In November 2020, the Group communicated its intention to initiate an operational review of CCD. In response to evolving customer demand, changing home credit market dynamics and the desire to focus on larger market segments, on 10 May 2021 the Group announced its intention to withdraw from the home credit and high cost short term credit markets entirely and move to a managed wind down. Lending to customers ceased on 10 May 2021 and any remaining balances in relation to customer receivables were written off at the end of 2021 as no further collections activity was being performed, following which the Company ceased to trade.

The closure of CCD involved launching a Scheme of Arrangement (the 'Scheme') in order to provide £50m of compensation for its customers. The Scheme was sanctioned on 30 July 2021. Following the approval of the Scheme, and the set up and funding of the Provident SPV, the Company was released from its liabilities in relation to the Scheme creditors who will be compensated through the funded Scheme. The associated costs of administering the Scheme are to be met directly by the Group.

Review of the business

The loss before taxation and exceptional items for the year increased by 18.8% to £102.1m (2020: loss of £85.9m). Exceptional items in 2021 of £55.9m (2020: £66.5m) relate to: exceptional charges relating to the closure of the business of £18.5m including £15.5m of redundancy costs; a charge of £5.0m to cover expected costs in relation to the CCD enforcement investigation, focusing on the consideration of affordability and sustainability of lending to customers, as well as the application of a Financial Ombudsman Service (FOS) decision into the complaint handling process, in the period between February 2020 and February 2021; and an impairment provision of £97.4m (2020: £nil) held against amounts owed by PFMSL as PFMSL ceased its service provisioning trade at the end of the financial year, is not intended to trade for the foreseeable future, and it is expected PFMSL will be placed into formal wind down proceedings in the near future; partly offset by a £65.0m exceptional credit due to a provision release following the approval of the Scheme in August 2021 and the set up and funding of the Provident SPV, whereby the Company was released of its liabilities for the £50.0m provision for customer claims under the Scheme and £15.0m of costs to deliver the Scheme.

Exceptional items in 2020 of £66.5m relate to: £50.0m for the provision for customer claims under the Scheme and £15.0m of costs to deliver the Scheme; £2.1m of redundancy costs following the removal of approximately 400 field roles in the UK field operation to reflect the reduction in customer numbers and receivables, and to more effectively align field roles with customer preferences; and an exceptional gain of £0.6m, offset against finance costs, relating to an additional interest credit on borrowings from the Company's ultimate parent, Provident Financial plc following the tender and early redemption of the 2018 five-year-fixed-rate bond in August 2020.

Key performance indicators for the Company are detailed in the commentary below.

Following the decision to stop lending and collect out on the remaining loan book, with the loan book fully written off in advance of the balance sheet date, customer numbers ended the period at nil (2020: 311,000) and receivables at the end of 2021 were £nil (2020: £138.9m).

Revenue for the period of £68.1m (2020: £191.5m) has fallen by 64.4% in 2021, a modestly lower rate than the 69.0% reduction in the average receivable across the year. The net interest margin for the year of £66.1m (2020: £185.6m) was 64.4% lower than the prior year driven by the significantly lower revenue recognised in the period from the lower receivables.

Review of the business (continued)
Impairment for the year of £59.6m (2020: £51.0m) has increased by 16.9%, reflecting the higher write off levels year-on-year following the decision to close the operation.

On a risk-adjusted basis, the net interest margin fell by 95.2% year-on-year to £6.5m (2020: £134.6m), due to lower recognised revenue and higher impairment, with the risk-adjusted net interest margin as a proportion of average receivables reducing to 12.5% in 2021 from 81.2% in 2020.

Operating costs reduced by 42.7% to £164.5m in 2021 (2020: £287.0m). Operating costs before exceptional costs reduced by 50.6% to £108.6m in 2021 (2020: £219.9m). Expenses were reduced significantly year-on-year due to lower employment costs (approximately £35m) following the significantly reduced headcount due to the phased closure of the operation throughout H2 2021, significantly lower complaints costs (approximately £55m) following the launch of the Scheme, and lower recharges (approximately £10m) from its immediate parent company PFMSL following the reduction in the cost base of PFMSL in 2021 compared to 2020.

Principal risks and uncertainties
The Company participates in the Group-wide risk management framework of Provident Financial plc. Details of the Group's risk management framework together with the Group's principal risks and uncertainties are set out in the annual report and financial statements of Provident Financial plc, which does not form part of this report.

Statement regarding section 172 of the Companies Act 2006
Our purpose, as part of the Provident Financial Group, is predicated on our customers and is underpinned by a number of strategic drivers and behaviours. These aim to deliver an appropriate balance between the needs of our customers, our regulators, investors and our employees, to try and ensure that we are successful and sustainable for our members, while taking into account the views of all of our stakeholders. Our stakeholders are individuals or groups who have an interest in, or are affected by, the activities of our business and our key stakeholders are set out in the table below. We seek to engage with them regularly to ensure that we are aware of their views and concerns with regard to a wide range of issues and we do this in a number of ways, as detailed below.

This year has been exceptional as the Company’s activities have been dominated by two principal decisions (the Principal Decisions):

- The Group announced on 15 March 2021 its intention to pursue the Scheme, under Part 26 of the Companies Act 2006, in relation to potential redress claims arising from customer creditworthiness complaints based on historical lending in the Company prior to 17 December 2020.
- The Group announced on 10 May 2021 the result of the operational review of CCD and it was with regret that the Group confirmed its decision to withdraw from the home credit market and place the business into managed run-off or consider a disposal (the wind-down).

By balancing the views of our stakeholders, lending responsibly, contributing to wider society and ensuring the appropriate corporate governance arrangements are in place, we seek to maintain a reputation for high standards of business conduct. This report will concentrate on the factors giving rise to these two Principal Decisions and we have separated the detail of these two Principal Decisions and set out within the table how we engaged with stakeholders through the relevant processes. It should be noted that Malcolm Le May, who is Chair of the Company’s Board and Neeraj Kapur, who is also a director of the Company, are also directors on the Group Board.

In all of our Board papers requiring a decision to be taken there is a section which presenters have to complete asking them to set out the impact/key matters for the Board to consider in relation to the decision in question on the following factors/stakeholders (where not already set out in the body of their paper) – customers; colleagues; suppliers; regulators/government; Investors, communities; environment; reputation; long term considerations. This draws attention to all of the factors directors need to take into account when considering their s.172 Companies Act 2006 duties, even if there is considered to be no material impact in relation to any specific category of consideration.

The Scheme

There were a number of facets to the decision to pursue the Scheme, which are set out below, with a table showing how the directors considered their s.172 responsibilities in respect of that decision:

Strategic options

The Group announced on 15 March 2021 its intention to pursue the Scheme, under Part 26 of the Companies Act 2006, in relation to potential redress claims arising from customer creditworthiness complaints based on historical lending in CCD prior to 17 December 2020. During the second half of 2020, industry dynamics had changed the operating environment materially for CCD, making it untenable to treat customer complaints as part of ongoing operating costs. The number of complaints referred to FOS across the home credit market in this period had increased by circa 200% compared to the first half of the same year, primarily driven by claims management companies (‘CMCs’).

External advice

As noted above, Malcolm Le May and Neeraj Kapur are both directors of CCD and directors on the Group Board. As such, they were in a unique position to inform the discussion regarding CCD, both at CCD Board and Group Board levels. The Group Board considered viable alternatives to the Scheme and was focused in its deliberations on fairly considering the requirements of all stakeholders, which it recognised as differing, and potentially at odds. The Group Board commissioned legal advice on the factors it and CCD should consider when determining whether to support the Scheme, including a summary of the key considerations in relation to its duties under English company law. These documents were made available to CCD. Interrogation of this analysis supported the Group Board and CCD to ensure robust and thorough consideration of all relevant factors.

Throughout 2021, the CCD Board held a large number of meetings, with the majority of the meetings related to the entering and implementation of the Scheme and orderly wind-down of the CCD business.

The CCD Board considered the Financial Conduct Authority’s (FCA) view of the Scheme. It took note of the fact that the Group Board was supportive of CCD and that without that support, the CCD business was facing the prospect of insolvency. The CCD Board considered at each meeting its obligations in managing a business in this position. The CCD Board gave due consideration to the FCA’s view throughout the Scheme process and determined that it was in the best interests of CCD and its stakeholders to launch the Scheme.

The Group had supported CCD financially for some time in efforts to return CCD to profitability and appointed Ernst & Young to undertake an independent valuation assessment of the division. Furthermore, the Group Board commissioned independent advice regarding the future prospects of the high-cost credit and home credit markets. The outcome of these reviews concluded that for the Group the only credible alternative to the Scheme was to commence insolvency proceedings for CCD, an option which attracted less cost for the Group in the short-term. However, in those circumstances CCD’s customers would have received no compensation. With administration confirmed as the only viable alternative and giving consideration to the Group’s Purpose, reputation and long-term position within the market, the Scheme was decided upon by the Group Board because it provided certainty to stakeholders and ensured customers with legitimate claims would receive fair access to redress payments. All of these considerations and facts were communicated to the CCD Board, which supported the Group’s conclusions.

Following the launch of the Scheme, the CCD Board met regularly to consider the progress of the Scheme, such as to consider and approve documentation for Scheme hearings. In early May 2021, the CCD Board noted that the Group’s continued financial support was conditional upon the Scheme being approved and an orderly wind-down of CCD before the end of 2021. They also noted the support which would be given to colleagues throughout any redundancy programme, including a detailed colleague communications plan; colleague forums; individual HR Rep meetings; the sharing of internal vacancies; an Employee Assistance Programme (confidential expert advice and guidance 24/7 to employees on a wide range of topics, including but not limited to financial information, stress & anxiety, retirement and redundancy); outplacement support (typically post leaving): including personal one-to-one career coaching and CV writing (for up to 3 months), online tools, resources and workshops (for up to 6 months), and 24/7 wellbeing counsellor support (for up to 6 months).

At this point, the CCD Board, taking all relevant factors into account, including those under s.172 of the Companies Act 2006, agreed a managed wind-down of CCD should be commenced as it was in the best interests of CCD and its stakeholders. The CCD Board also agreed to start contingency planning in the event the Scheme was not approved.

In Q3 2021, a customer advocate was appointed and a supplementary explanatory statement issued to Scheme creditors and on 23 July 2021, the CCD Board took the decision that the Scheme was in the best interests and to the advantage and benefit of CCD as it would result in CCD being released from its liability in respect of Redress Claims and FOS Fees; enable CCD to be wound up on an orderly basis; and provide Scheme creditors with greater compensation for their Redress Claims and FOS Fees than would have been the case if CCD had entered into insolvency proceedings and the Scheme had not been implemented. In taking this decision, CCD took account of all the surrounding circumstances, external advice and the potential benefits to Scheme creditors. Having weighed all of those issues up, the CCD Board took the decision that entering into the Scheme would promote the success of CCD for the benefit of its members as a whole and was for proper purposes.

Throughout the remainder of the year, the CCD Board oversaw the implementation of the Scheme and progress of the orderly wind-down including: taking the decision to write-off outstanding debt during December 2021; ensuring colleague consultation was commenced in good time and colleagues received appropriate support; and any further actions required to close out CCD's business by the end of 2021.

Regulatory engagement

In considering the Scheme and whether there were any other viable alternatives, the Group Board, including the CCD Chair engaged directly and constructively with the FCA and FOS to determine, as far as possible, their views about repeat lending and their non-objection or otherwise to such a scheme. Throughout this period, the Group CEO and Chair of the CCD Board, Malcolm Le May, undertook several meetings and engaged in regular correspondence with the FCA, maintaining an emphasis on openness and transparency in line with the Group's cultural Blueprint. Feedback from the FCA was reported to the CCD Board regularly during the period and the Group Board listened to and sought input from the FCA in its efforts to resolve its concerns. The Group Board considered the potential impact of the Scheme and insolvency on its other subsidiaries and engaged with the Prudential Regulation Authority (PRA) directly to provide reassurance with regard to Vanquis Bank and its credit card and retail deposit customers. Other regulatory stakeholders with whom the Group Board engaged directly included HM Treasury and the FOS.

Financial implications

After close scrutiny of the relevant financial modelling data the Group Board agreed to fund legitimate Scheme claims with £50m and allocated a further £15m to Scheme costs, a total commitment that was met out of the Group's existing resources. The Group Board engaged directly with the FCA on the financial support available for the Scheme, recognising that, although customers would stand to receive less than the value of their claims, the figures were based on sound financial analyses and the decision offered the fairest compromise for all stakeholders. The Group Board gave careful consideration of its equity and debt investors, with whom it engaged directly and provided confirmation of the Group's continued ability to meet regulatory capital requirements over the longer term. On 21 June 2021 the Board announced that it would meet any increase in Scheme administration costs, which had in part been incurred to achieve a higher voter turnout ahead of the Scheme meeting, which the Group Board agreed was important for the Scheme.

Communication
A comprehensive Scheme meeting communication timeline was developed and supported by the Group Board to ensure that the appropriate stakeholder engagement plans had been put in place.

For investors, a series of more than 25 meetings were arranged directly with Malcolm Le May and the Group CFO, Neeraj Kapur, who are both CCD Directors, after the announcement, to help explain the Scheme. A number of calls were also arranged with CMCs to explain the impact of the Scheme. To provide enhanced support for creditors, in June 2021 the Group appointed an independent and experienced customer advocate who assessed and provided comment and recommendations for improvement on the proposed communications around the Scheme with customers, media groups and consumer bodies. As a direct result of this engagement, and in advance of the Scheme's creditors meeting held on 19 July 2021, the Group broadened its communication methods beyond newspapers to include social media platforms to ensure that messaging was inclusive and representative of the customer base. In addition the Group sought to simplify, where possible, the language in the Scheme's supplementary explanatory statement and other communications sent to Scheme creditors. The Group Board was pleased to note that following the engagement with creditors, 420,000 voted in favour of the Scheme, representing 98% of the total votes received.

The Scheme was sanctioned by the High Court after the court hearing held on 30 July 2021 and became binding on 5 August 2021. The deadline for submission of claims was 28 February 2022 and the Group are on track to settle all valid claims and close the Scheme by the end of 2022.

Withdrawal from the home credit market and the managed run-off of CCD

Macroeconomic environment
On 10 May 2021 the Group announced the result of the operational review of CCD and it was with regret that the Group confirmed its decision to withdraw from the home credit market and place the business into managed run-off or consider a disposal. In commissioning the operational review and assessing the results the Group Board acknowledged the terminal decline of the home credit market and the decreasing relevance of a home credit proposition as customers had transitioned toward digital transactions (a preference accelerated by the Covid-19 pandemic). During a joint meeting between the FOS, the FCA and consumer credit lenders in November 2020, the expectation of repeat lending was clarified in support of the FOS approach which meant that the traditional home credit business model was no longer sustainable for the Group.

Reviewing our options
The operational review of CCD was commissioned by the Group Board in November 2020 and was conducted by Hamish Paton, Managing Director of CCD. It considered a number of options including whether an economic return could be made in home credit following the changes in the macroeconomic environment and regulatory approach and provided the Group Board with a comprehensive comparison of implications for stakeholders on a full wind-down basis and also on the basis of a continuance of a minimum viable business-as-usual operating model. Alternative scenario forecasts interrogated by the Group Board did not indicate a return to profitability and recognised the historical, complex and increasingly costly operating model. The Group Board also commissioned an independent legal and regulatory opinion on high-cost credit (HCC) which summarised the regulatory scrutiny of the high-cost short-term credit (HCSTC) market, and the increasing focus on HCC, including home credit. The FCA's recent activities had included the introduction of a daily cost cap, a default charge cap and total cost cap for consumers; and a focus on enforcement action against HCSTC firms for any practices deemed as unfair. The Group had proactively engaged directly with the FCA on these and other similar topics. Taken together the Group Board recognised the pace of change, the expected further regulation, the decreasing popularity and relevance of a home credit product and that there was extensive evidence to suggest that it would become more difficult to operate a sustainable profitable business in the market.

Planning for change

Ahead of making its decision, the Group Board acknowledged the impact of the potential closure of CCD on its stakeholders, including approximately 2,000 colleagues and 300,000 customers. There were societal implications of the exit in the communities in which the Group operated and potential uncertainty for suppliers both of which could pose reputational risks for the Group. Prior to the announcement on 10 May 2021, the Group Board considered management's detailed communication plans with customers, colleagues, suppliers, investors and regulators. The Group Board approved a four-pillar plan which had been designed by management to be cost effective and mitigate risk. Detailed stakeholder communication plans were presented to the Group Board setting out potential stakeholder concerns and the possible implications of the wind-down upon existing relationships and proposing suitable management actions to address the same, including a supplier engagement plan. The Board recognised the ways in which management proposed to address stakeholder concerns in its communication plan and set the tone for external communications, emphasising its regret and recognising the important role that CCD had performed for customers in the underserved segment throughout its long history.

As detailed above, the CCD Board met regularly to consider the progress of the Scheme and also the potential of an orderly wind-down, including in early May 2021 the fact that the Group's continued financial support was conditional upon the Scheme being approved and an orderly wind-down of CCD before the end of 2021. The CCD Board also noted the support which would be given to colleagues throughout any redundancy programme, including a detailed colleague communications plan, colleague forums, individual HR Rep meetings, the sharing of internal vacancies, an Employee Assistance Programme, outplacement support, online tools, resources and workshops and 24/7 wellbeing counsellor support.

At this point, the CCD Board, taking all relevant factors into account, including those under s.172 of the Companies Act 2006, agreed a managed wind-down of CCD should be commenced as it was in the best interests of CCD and its stakeholders. The CCD Board also agreed to start contingency planning in the event the Scheme was not approved.

Communicating with empathy

The Group Board ensured that customers were supported, fully understood their options and were reassured about how the change would impact them, including how their existing loans would be collected and managed. Careful consideration was given to the use of debt collection agencies and the Group Board challenged management to ensure that good service quality was maintained for customers whilst they paid down their balances, through effective supplier management. The Group Board oversaw engagement with debt advisory bodies recognising these as important sources of information and support for CCD customers. The low number of customer queries received about the wind-down to date indicates that customer communications have been well positioned and understood.

Colleagues' concerns were a priority for the Group Board and the Colleague Forums were utilised to assist in the gathering and disseminating of colleague feedback. Communication principles, such as tone, timing and methods of engagement, were agreed and a colleague content hub published on the intranet provided a consistent colleague experience and fully accessible self-service support. The Group Board's Designated Non-Executive Colleague Champion, Graham Lindsay, attended several Colleague Forum meetings to share messages from the Group Board, listen to colleagues' concerns and reported back to the Group Board on his engagement. The Customer, Culture and Ethics ('CCE') Committee commissioned and received a detailed report setting out the colleague impact of the wind-down of CCD. The CCE Committee recognised issues raised by colleagues and oversaw the adaptations in approach in response to colleague feedback, where possible, such as management directly addressing one of colleagues' main concerns that redundancy terms would be honoured in the event of the division falling into administration (should the Scheme not be approved). Every effort was made to minimise redundancies and job opportunities elsewhere in the Group were shared with CCD colleagues, including those across multiple locations, made possible due to new hybrid working arrangements. 10% of colleagues at risk were redeployed elsewhere in the Group. Impacted colleagues were provided with outplacement support that included support plans, one-to-one career coaching, and access to materials and resources to assist them in finding new employment as well as to support their emotional and financial wellbeing.

Valuing our relationships

A review of all suppliers had been completed by management with the results and subsequent supplier engagement plan reported to the Group Board. The Group Board recognised the varying impact on suppliers of the wind-down of CCD, many of whom provided important services to other divisions. The Group Board ensured that suppliers were contacted directly by management following the announcement of the wind-down of CCD and was pleased to note the continued confidence of suppliers in the Group, demonstrating positive relationships and the successful execution of the supplier engagement plan. The Group's Purpose of helping to put people on a path to a better everyday life drives the Group Board to ensure that the products and services the Group provides are sustainable, responsible and commensurate with the Group's strategic ambition to be the specialist leading bank to the underserved mid-cost market. The Group Board's decision to exit the home credit market and wind down the CCD business, whilst difficult and regrettable, was necessary to adapt to the macroeconomic environment with a view to securing the long-term future of the Group. The Group Board continued to oversee and monitor the execution of the wind-down plan and, with customer collection rates having consistently exceeded expectation, CCD took the decision to write off all outstanding home credit and Satsuma loans on 31 December 2021.

Our Stakeholders and why we engage with them	• **How?** (How management and/or directors engaged with and considered our stakeholders)	• **What?** (What were the key topics of engagement and consideration)	• **Key outcomes and actions** (What was the impact of the engagement and/or consideration?)
Our Customers We engage with our customers to determine whether we are delivering our business activities in accordance with our purpose and ensuring that we deliver good outcomes for them throughout their journey with us	• Performing a strategic review of the customer proposition • Monitoring performance against good customer outcomes • Considering the customer experience and customer contact strategy • Establishing a customer-centric culture through the Group's Purpose and Blueprint • An independent customer advocate was appointed for the Scheme • Customer metrics and outcomes arising from the Scheme and CCD wind down programmes • All outstanding CCD home credit and Satsuma loans were settled on 15 December 2021	• Financial inclusion and well-being • Responsible lending • Understanding our customers • Our current products • Customer outcomes, satisfaction, care, service levels and complaints • Customer affordability, vulnerability and persistent debt • Safeguarding our Customers' personal data • Clear and transparent customer communications • The need for and requirements of the Scheme • Debt Collection Agency performance • Appropriate methods of communication	• The putting in place of the Scheme • The regrettable decision to exit the home credit market, responding to shifting customer preferences • The effective communication and management of CCD customers' collections through the wind-down of CCD • Support for customers in their transition to debt collection agencies • Successful delivery of the Scheme • Implementing recommendations made by the Scheme's customer advocate, including adding additional communication channels • The necessary dispensations were applied for regarding the Scheme to ensure that all customers with claims received equal and fair treatment

Our Stakeholders and why we engage with them	• **How?** (How management and/or directors engaged with and considered our stakeholders)	• **What?** (What were the key topics of engagement and consideration)	• **Key outcomes and actions** (What was the impact of the engagement and/or consideration?)
Our shareholders The Company is 99.58% owned by PFMSL and 0.42% owned by Provident Financial Holdings Limited (whose parent is Provident Financial plc) and as such it is of paramount importance that the Group is kept updated on the Company's progress in delivering the Group's shared purpose, it's budget, it's strategy, governance and culture. Direct and regular engagement with our shareholders ensures that the Company has a clear understanding of its role as part of the Group	• The Group CEO and Group CFO are members of the Company Board • The directors and CRO of the Company participate in the Group Executive Risk Committee and Group Executive Committee respectively to support alignment of risk and business strategy to the Group • The Group has an aligned corporate governance framework and structure including complementary Delegated Authorities Manuals • The Group has a centralised Corporate Responsibility team and a Group-wide approach to Corporate Social Responsibility (CSR) • Given the close alignment of the Company with the Group, the shareholders were fully engaged in the Principal Decisions	• Strategy and long-term value creation • Culture • Financial and operational performance • Risk Management • Corporate Governance arrangements and alignment • Corporate and Environmental, Society and Governance (ESG) Responsibility • Interactions with regulators	• Business model aligns with evolving regulatory expectations • Continued alignment and evolution of the business model with the Group's vision and purpose • Group approved budget and operational plan • Enterprise Risk Management Framework aligned to that of the Group • Operational review of CCD leading to decisions to enter into the Scheme and ultimately to withdraw from the home credit market and place the business into managed run-off
Our colleagues To ensure that they understand the Group's purpose and how they can support its delivery, which we believe helps our customer base. To maintain high levels of colleague engagement in order to enable us to attract, retain and develop the talent we need. Specifically, careful consideration of impact on colleagues of the wind-down decision, the comms plan and the internal and external support which would be put in place for colleagues	• A Group-wide colleague survey was carried out during the year • A workforce panel consultation was undertaken to establish Covid-19 secure working environment and practices • Collective consultation process for CCD colleagues who were impacted by the closure of the business • Detailed colleague communications plan for those colleagues impacted by the closure of the business • Support given to colleagues (both internally and externally) throughout the redundancy process	• Culture, purpose and behaviours • Financial and operational performance • Future of the business • Reward and recognition • Employee engagement • Leadership performance and succession • Development, training and career opportunities • Diversity and Inclusion • Health and safety • Colleague wellbeing at work	• Engagement with colleagues helped define the Future of Work programme • A Board-led consistent tone and messaging for colleagues regarding the wind-down of CCD and execution of the comprehensive package of colleague support including outplacement support • Revisiting the Colleague Forum structure to ensure that the geography and demography of the workforce were represented fairly and continuous improvement of the Colleague Forums as a two-way form of engagement between the Board and colleagues

STRATEGIC REPORT (CONTINUED)

Our Stakeholders and why we engage with them	• **How?** (How management and/or directors engaged with and considered our stakeholders)	• **What?** (What were the key topics of engagement and consideration)	• **Key outcomes and actions** (What was the impact of the engagement and/or consideration?)
Our colleagues (continued)	• Our Designated Group Non-Executive Director Colleague Champion plays the lead role in Board engagement with employees, understanding and representing employee interests across the Group • The Group's inclusion programme with five supporting Affinity Groups • Group recognition platform, 'Better Everyday' to help create a culture where we say 'thank you' or 'well done' to colleagues who demonstrate our Blueprint behaviours • A confidential externally facilitated whistleblowing line is available for colleagues to raise concerns • Board oversight of policies that protect employees, their rights and their personal data • Gender pay gap report produced • Extensive colleague engagement, specifically relating to assisting shape the Future of Work programme • Communications were primarily via email and the intranet with links to frequent vlogs by the Group CEO • Colleagues received quarterly video updates on the Group's results from the Group CFO • Other important news via the colleague newsletter, 'Stay Connected' • The announcement of the wind-down on 10 May 2021 and the well-established Colleague Forums	• Following the announcement of the wind-down a comprehensive colleague communication and support plan (including detailed communications, colleague forums individual HR Rep meetings, the sharing of internal vacancies, an Employee Assistance Programme, outplacement support, online tools, resources and workshops and 24/7 wellbeing counsellor support) • Colleagues were briefed in advance of any direct customer communications in respect of the wind-down • Colleague Forums, attended by Graham Lindsay, were used to support the colleague consultation process for impacted CCD colleagues	• Review of colleague survey results and action plans • Review of the whistleblowing process and output • More frequent and broader types of colleague communications including regular vlogs from the Group CEO and Company MD

Our Stakeholders and why we engage with them	• **How?** (How management and/or directors engaged with and considered our stakeholders)	• **What?** (What were the key topics of engagement and consideration)	• **Key outcomes and actions** (What was the impact of the engagement and/or consideration?)
Our communities To invest in activities and initiatives which seek to address some of the key factors which, on their own or acting together, may reduce someone's likelihood to be accepted for credit	• Participation in the Group Social Impact Programme that delivers community investment • The Company participates in the Group Customer, Culture and Ethics Committee at which Group-wide community matters are discussed and overseen by the Group Board • Group Board oversight of community matters and the approach to external engagement regarding the Company's purpose and role in society	• Community contributions and charitable giving • Volunteering activities in the context of the Covid-19 pandemic • Matched employee fundraising • Relationships with debt charities • Customer vulnerability • Community Foundation Strategy and structure • Linked to the closure of CCD the Group's community partnerships and locations	At Group level: • Volunteering Policy • Approved approach to external engagement regarding the Company's purpose and role in society • Tailored ESG training delivered for Company board • A change of community investment structure from Social Impact Programme to a foundation model and a change of name from Social Impact Programme to the 'PFG Foundation' • Evolved strategy to adopt a targeted approach to community investment activities to support children and young people (0-25) from low-income backgrounds • Funding approved for the School Home Support Charity including matched colleague fundraising • Closer integration of the community funding approach with equality, diversity and inclusion through involvement of the affinity groups in the design phase • The CCE Committee endorsed the Group's approach to supporting its community partners through the Covid-19 pandemic • The CCE Committee approved the Group's commitment to the five long-term ESG objectives that were aligned with both the Sustainable Development Goals and TCFD

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 00146091)

STRATEGIC REPORT (CONTINUED)

Our Stakeholders and why we engage with them	• **How?** (How management and/or directors engaged with and considered our stakeholders)	• **What?** (What were the key topics of engagement and consideration)	• **Key outcomes and actions** (What was the impact of the engagement and/or consideration?)
Our communities (continued)			• Being the lead supporters for the National Numeracy Day, held in May 2021, and the appointment of the Group's CEO, Malcolm Le May, to the National Numeracy Leadership Council
Our regulators To plan for regulatory change with greater certainty and confidence, to maintain our reputation as a responsible lender and to maintain our sustainable business model	• Board members and executive management engage proactively with regulators via regular face to face and telephone meetings • Proactive interaction with regulators on business and operational models • Regulatory risk reporting, including horizon scanning, is carried out and reported to the Company's dedicated Risk Committee and Board which is attended by the Company CRO • Regulatory engagement and correspondence is reported to and discussed by the Board and escalated to the Group Board as appropriate • Dialogue and engagement regarding the orderly wind-down of CCD and the Scheme • Appropriate Risk Office structure and resource levels via the Risk Management Framework • Company CRO attends the Risk Committee • The CCD Board received regular updates regarding the enforcement investigation opened by FCA in relation to CCD on the consideration of affordability and sustainability of lending to customers, as well as the application of a FOS decision into the complaint handling process, in the period between February 2020 and February 2021	• Customer vulnerability and persistent debt • Our products • The Company's Governance Framework • The Company's regulatory capital level and wind-down plan • Complaints levels and handling • Senior Management & Certification Regime (SM&CR) and ongoing compliance • Culture and Blueprint • Affordability and sustainable lending • Complaint handling process	• The views of regulators and the regulatory environment have informed the business model updates during the year • Enhanced oversight and monitoring of customer lending and collections processes • Engagement of regulators in respect of the Scheme and the wind-down • Oversight of FCA investigation

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 00146091)

STRATEGIC REPORT (CONTINUED)

Our Stakeholders and why we engage with them	• **How?** (How management and/or directors engaged with and considered our stakeholders)	• **What?** (What were the key topics of engagement and consideration)	• **Key outcomes and actions** (What was the impact of the engagement and/or consideration?)
Our suppliers To treat our suppliers fairly and develop strong relationships with them which ensure that we only buy products and services from those who operate responsibly and mitigates risk in our supply chain	• There is an established due diligence process to manage supply chain-based risks and comply with Company policies • There are standardised contractual terms that we attempt to use with all of our suppliers to reduce contractual risks • The Company is a signatory to the Prompt Payment Code, and we publish our Payment Practices Reporting at Companies House • There is a Supplier Relationship Management Framework in place which highlights supplier performance and enables joint roadmaps	• Prompt payment • Data protection • Information Security • CCO and Tax Evasion • Environmental issues • Supplier on-boarding process • Supplier performance • Delegated authorities • Anti-bribery and corruption • Supplier due diligence • Modern Slavery • Conduct, behaviour and performance	• Signatories of the Prompt Payment Code • Compliance with SYSC regulations and European Banking Authority Outsourcing Guidelines • Paying Suppliers appropriately and remaining signatories of the Prompt Payment Code • Maintaining the Group's reputation for high standards of business conduct • Supplier communication plan implemented as part of the CCD wind-down plan and Scheme
Our environment To minimising our environmental impact, in particular to reducing the greenhouse gas emissions associated with our business activities, thereby lessening our contribution to issues such as climate change.	• The Company utilises and contributes to the Group's Environmental Management System (EMS) • The Company participates in the Group CCE Committee at which Group-wide environmental matters are discussed and overseen by the Group Board Committee • Participation in the Group submission to the Carbon Disclosure Project	At Group Board level: • Climate change • Climate Risk • Climate Risk Appetite • Achievement of the Task Force on Climate Related Financial Disclosures (CRFD) objectives • Strategies to mitigate climate-related risks • Details of greenhouse gas emissions	At Group level: • Retention of ISO 14001 • Continued offset of the Group's operational carbon footprint • Commitment to the six long-term ESG objectives • A Climate Risk Committee was established with terms of reference approved by the CCE Committee, chaired by the Group's Chief Risk Officer. • Climate risk was approved as a principal risk by the Risk Committee • A Climate Risk Working Group has been established with specific responsibilities to support the reporting requirements for TCFD and undertake scenario analysis for climate related risks • The Group Board approved the Group's target to reach net zero by 2040 • The CCE Committee approved the Group's commitment to the Business Ambition for 1.5°C pledge

Governance Statement of Provident Personal Credit Limited ('PPC' or 'the Company')

Purpose and leadership

PPC's purpose, 'We help put people on a path to a better everyday life', is aligned with that of its ultimate parent company, Provident Financial plc ('PF plc'), is predicated on its customers and is underpinned by several strategic drivers and behaviours. PF plc follows the 2018 UK Corporate Governance Code and details of its compliance are reported within its 2021 Annual Report and Accounts (the 'PF Annual Report'), which is available here: www.providentfinancial.com/shareholder-hub/results-reports-and-presentations/. The Board is focused upon delivering an appropriate balance between the needs of the Company's stakeholders. By balancing the interests of our stakeholders, lending responsibly, contributing to wider society and ensuring the appropriate corporate governance arrangements are in place, PPC maintained a reputation for high standards of business conduct.

In November 2020, the Group communicated its intention to initiate an operational review of the Consumer Credit Division (CCD), which includes the Company, to be carried out by Hamish Paton, Managing Director, and his team. In the context of Covid-19, rising customer complaint volumes driven by CMCs and evolving customer choice dynamics, it was clear that CCD needed to evolve its business model to keep providing sustainable returns to shareholders. On 15 March 2021, the Group informed the market of its decision to launch a Scheme of Arrangement (the 'Scheme') to address the liability of ongoing customer complaints based on historic lending at CCD; the Company formed part of the Scheme. On 22 April 2021, the High Court made an order enabling CCD (including the Company) to convene a meeting of Scheme creditors to consider the merits of the Scheme. CCD customers, past and present, as well as the FOS, had the opportunity to vote on the Scheme and approved its implementation on 19 July 2021, with the final Court sanction hearing being held on 30 July 2021 and the Scheme becoming effective from 5 August 2021. To provide enhanced support for creditors in June 2021 the Group appointed an independent and experienced customer advocate who assessed and provided comment and recommendations for improvement on the proposed communications around the Scheme with customers, media groups and consumer bodies. As a direct result of this engagement, and in advance of the Scheme's creditors meeting held on 19 July 2021, the Group broadened its communication methods beyond newspapers to include social media platforms to ensure that messaging was inclusive and representative of the customer base. In addition the Group sought to simplify, where possible, the language in the Scheme's supplementary explanatory statement and other communications sent to Scheme creditors. The Board was pleased to note that following the engagement with creditors 420,000 voted in favour of the Scheme, representing 98% of the total votes received.

In response to evolving customer demand, changing home credit market dynamics and the desire to focus on larger market segments, on 10 May 2021 the Group announced its intention to withdraw from the home credit market entirely. The home credit business, including the Company, was placed into a managed run-off. The Board continued to oversee and monitor the execution of the wind-down plan and, with customer collection rates having consistently exceeded expectation, CCD took the decision to write off all outstanding home credit and Satsuma loans on 31 December 2021. CCD was closed by the end of 2021. Ahead of making its decision the impact of the potential closure of CCD on its stakeholders, including approximately 2,000 colleagues and 300,000 customers, was recognised. Prior to the announcement on 10 May 2021, the Group Board considered management's detailed communication plans with customers, colleagues, suppliers, investors and regulators.

It was ensured that customers were supported, fully understood their options and were reassured about how the change would impact them, including how their existing loans would be collected and managed. Careful consideration was given to the use of debt collection agencies to ensure that good service quality was maintained for customers, whilst they paid down their balances. Engagement with debt advisory bodies was undertaken, recognising these as important sources of information and support for CCD customers.

Purpose and leadership (continued)

Colleagues' concerns regarding the CCD wind-down were a priority for the Board and the Colleague Forums were utilised to assist in the gathering and disseminating of colleague feedback. Communication principles, such as tone, timing and methods of engagement, were agreed and a colleague content hub published on the intranet provided a consistent colleague experience and fully accessible self-service support. The Board's Designated Non‑Executive Colleague Champion, Graham Lindsay, attended Colleague Forum meetings to share messages from the Board and listen to colleagues' concerns, and reported back to the PF plc Board on his engagement. The PF plc Customer, Culture and Ethics ('CCE') Committee commissioned and received a detailed report setting out the colleague impact of the wind-down of CCD. The CCE Committee recognised issues raised by colleagues and oversaw the adaptations in approach in response to colleague feedback, where possible. Every effort was made to minimise redundancies caused by the wind-down and job opportunities elsewhere in the Group were shared with CCD colleagues, including those across multiple locations, made possible due to new hybrid working arrangements. 10% of colleagues at risk were redeployed elsewhere in the Group. Impacted colleagues were provided with outplacement support that included support plans, one-to-one career coaching, and access to materials and resources to assist them in finding new employment as well as to support their emotional and financial wellbeing.

As noted above, PPC's relationship with its employees has been of vital importance to the Company and workforce advisory panels were in place throughout the Group during 2021, including CCD. A Group-wide colleague survey was conducted in 2020 and 2021.

During the year, PPC operated under PF plc's cultural Blueprint, the aim of which is to unify colleagues around the Group's and Company's purpose and seeks to provide financial inclusion for the one in five UK adults who are not well served by mainstream lenders. The embedding of the Group's strategic 'Blueprint' behaviours into the Company's day to day operations formed a key part of the Company's colleague performance development and review process for both directors and all colleagues. CCD utilised a balanced scorecard of Key Performance Indicators to measure its embedding of the Blueprint, and these are reported into and monitored by the Group through its CCE Committee.

During 2021, PPC had a Whistleblowing Policy, Whistleblowing Forum and an external independent route for employees to raise any matters of concern in place. Whistleblowing reports are collated and reported to the Group Board, with actions cascaded to PPC as appropriate. This process is sponsored by the Group General Counsel and Company Secretary who is responsible for facilitating robust controls and comprehensive independent investigation of any reports made.

PPC's strategy was set at Company level and is aligned overall with the Group.

The nature of PPC's customer base and the market within which it specialised has made the building and maintaining of open and trusting dialogue with policy makers and key regulators, the Financial Conduct Authority (FCA) and Central Bank of Ireland (CBI), critical for the success of the Company. The Group considered, and engaged with the FCA and the Financial Ombudsman Service (FOS), regarding a programme of work undertaken to understand the feasibility and appropriateness of the Scheme for customer complaints arising from CCD's home credit business. The Scheme was sanctioned by the High Court after a court hearing held on 30 July 2021 and became binding on 5 August 2021. Other regulatory stakeholders with whom the Group Board engaged directly included the PRA, HM Treasury and the FOS.

For further information on how PPC Board engaged with its regulators and how it considered and supported its customers, please see below and the s.172 statement on pages 5 to 15.

Board composition

The PPC Board's roles of Chair and CCD Managing Director (MD) are separate, with the Group CEO being the Chair of PPC. The Board also comprises the CCD Finance Director (FD) and the Group CFO. This ensures there is the appropriate level of oversight for the size and complexity of the business, reflects the requirements of FCA and CBI regulation and a company which is a wholly-owned subsidiary of a group. The PPC Board is comprised of directors with key experience, knowledge and skills in the sector in which the Company operates and in serving its target customers and all directors each demonstrate a strong knowledge of the business.

To ensure access to specialist knowledge, other colleagues are invited to attend Board meetings as appropriate (including the Chief Risk Officer (CRO)). The Chair (Group CEO) and Group CFO's biographies are located on page 112 of the PF plc Annual Report.

There is a joint Audit and Risk Committee, the membership of which includes the Group CFO (Chair), MD, CRO and FD. The duties and responsibilities of this Committee are documented within its terms of reference and include monitoring the integrity of financial reporting, internal controls and risk management of PPC and advising the Board on whether internal controls and risks are sufficiently robust and appropriately managed.

The Board and Chair are supported by the Group Company Secretariat who ensure that an appropriate agenda is set in consultation with the Chair, that directors have access to appropriate information and that there is sufficient time within meetings to enable meaningful discussion. In 2021, PPC held eighteen Board meetings and four Audit and Risk Committee meetings. This is a higher number of Board meetings than typical, and this primarily reflects both the Board's consideration of the Scheme mentioned above and the decision to exit the home credit market and the managed wind-down of CCD.

CCD, including PPC, adopted and adhered to the Group-wide policy on Equality, Diversity and Inclusion ('EDI'). The Group EDI policy recognises that Board diversity plays a key role in contributing to the Group's success. The appointment of individuals to the roles that act as directors of PPC are based on their employee roles, and the recruitment of employees is based on merit, taking due consideration of diversity.

Employees of PPC were included within the Group-wide talent review process. This process includes assessing colleagues' skills and identifying any key skill gaps, an assessment of successors and a key action log exploring team wide interventions and longer-term goals. PPC employees have participated in wider Group initiatives on diversity including: the Group Women in Leadership Programme, which seeks to aid female colleague progression throughout the Group and their influence throughout their respective entity; and the Group's well-established, Group-wide Inclusion Community, which comprises five aligned affinity Groups focused on disability, LGBTQ+, gender balance, ethnicity and social mobility.

Director responsibility

To ensure that all the Board and individual directors continue to have a clear understanding of their accountability and responsibilities, on appointment, new PPC directors are provided with training materials on their directors' duties, including those under s.172 of the Companies Act 2006.

The CCD and Group Delegated Authority Mandates ('DAMs') were in place throughout the reporting period which clearly set out approval limits and document the appropriate hierarchy of decision making at the Company and Group level. Further to this, there is a CCD specific Governance Framework and Governance Manual which are subject to internal audit review to assess their effectiveness.

The Board has in place a schedule of matters reserved for its decision and Board and committee terms of references. Senior Management Function Statements of Responsibilities and a Management Responsibilities Map are in place in compliance with the Senior Managers and Certification Regime.

A Group-wide enterprise risk management framework is in place, which PPC applied alongside its own risk appetite to ensure directors have appropriate oversight of risk through the Audit and Risk Committee and Board, (see below for more information). PPC also complies with PF Corporate Policies and attested to this during the year.

Director responsibility (continued)
PPC's Conflict of Interests register is maintained by the Group Company Secretariat and care is taken to accurately reflect those conflicts which arise due to directors being on the board of more than one Group company.

Group Company Secretariat support the Board and Chair on all governance matters, including providing timely Board and Committee agendas. Board papers are preceded by an executive summary and enhancements to the standards of reports to the Board which were made during 2020, including the inclusion of s.172 considerations have been carried through in the standardised reporting templates used in PPC and across the Group.

Opportunity and risk
As noted above, during 2021 the Company was placed in an orderly wind-down, with CCD closed by the end of 2021, in line with the Group's strategic objectives.

During the year, the Audit and Risk Committee was responsible for overseeing PPC's risk management and adherence to the Company's risk appetite, receiving regular reports on risk from the PPC Chief Risk Officer, including key risk indicators by which the Company's adherence to its Risk Appetite is measured. Risk ownership in PPC was defined by role and risk owners report into the CRO who, reports into the Audit and Risk Committee and Board. The Risk Management report involved the use of a Risk Map whereby all latest changes are highlighted according to predetermined risk grading and RAG status. Internal audit reports were considered and findings and action closure rates discussed. Risk reporting is aggregated and aligned with that of the Group for onward reporting to the Board of PF plc. Furthermore, there was a Group Risk Committee and outside of the formal governance structure a meeting between the Chief Risk Officers of each subsidiary and the Group Risk Committee Chair. For further information on PF plc's three lines of defence model, please see the Risk Committee Report in the PF plc Annual Report at pages 158 to 161.

Remuneration
PPC is a wholly owned subsidiary within the Group and as such, remuneration levels for colleagues are set within the Group framework. The Group Remuneration Committee sets the bonus policy, overall annual salary budgets (within which PPC can set annual salaries) and share scheme awards. The Remuneration Policy, applicable to Group NED's and Executive Directors, is determined by its parent company and details of the policy can be found within the Directors' Remuneration Report within the PF plc Annual Report. The PF plc Remuneration Committee also oversees the remuneration of the CCD MD, PPC's Chair and Group CFO as they are Group Senior Management.

The remuneration of the wider workforce across the Group is considered by the PF plc Remuneration Committee, including how it aligns with the pay of the Group's Executive Directors. The Group has a performance management framework in place to ensure reward is aligned with performance, and also takes into account risk and culture.

Stakeholder Relationships
PPC's Board is dedicated to maintaining meaningful and productive engagement with its key stakeholders, including as part of the Scheme and wind-down of the business (as described above). PPC used a wide variety of methods during the year to engage with its stakeholders and reporting is considered at the most appropriate forum, whether this be at Company or Group level. For further information regarding PPC's stakeholder engagement, refer to pages 75 to 86 of the Strategic Report in the PF plc Annual Report.

Going concern
The Company ceased trading at the end of the financial year following the decision to stop lending and collect out on the remaining loan book. The remaining loan book was written off in advance of the balance sheet date. It is not intended for the Company to trade for the foreseeable future and it is expected the Company will be placed into formal wind down proceedings in the near future. The directors have reviewed the going concern basis and have therefore presented the financial statements on a basis other than going concern. The directors do not consider that this has led to any material differences than if they were prepared on a going concern basis. Further details on the basis of preparation are provided on page 29.

BY ORDER OF THE BOARD

N L M Moore
Director
Bradford
20 May 2022

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 00146091)

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 00146091)

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Provident Personal Credit Limited (the ‘Company’):

- give a true and fair view of the state of the Company’s affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in shareholder’s equity;
- the statement of cash flows;
- the statement of accounting policies;
- the financial and capital risk management report; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – financial statements prepared other than on a going concern basis

We draw attention to Statement of Accounting Policies in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included regulation set by the Financial Conduct Authority.

We discussed among the audit engagement team including relevant internal specialists such as tax, IT and forensic regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Financial Conduct Authority.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

Matthew Perkins (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
20 May 2022

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 00146091)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2021 £m	2020 £m
Revenue	1	68.1	191.5
Finance income	2	7.6	14.2
Finance costs	3	(9.6)	(20.1)
Net interest margin		66.1	185.6
Impairment charges		(59.6)	(51.0)
Risk-adjusted net interest margin		6.5	134.6
Operating costs		(164.5)	(287.0)
Loss before taxation	4	(158.0)	(152.4)
Loss before taxation and exceptional items	4	(102.1)	(85.9)
Exceptional items	4	(55.9)	(66.5)
Tax (charge)/credit	5	(26.1)	27.7
Loss and total comprehensive expense for the year attributable to the equity shareholder		(184.1)	(124.7)

All amounts relate to discontinued operations.

PROVIDENT PERSONAL CREDIT LIMITED
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BALANCE SHEET

As at 31 December	Note	2021 £m	2020 £m
ASSETS			
Cash and cash equivalents	9	-	1.7
Amounts receivable from customers	10	-	138.9
Trade and other receivables	12	0.2	140.7
Current tax assets		-	4.7
Property, plant and equipment	13	-	1.7
Right of use assets	14	-	0.2
Deferred tax assets	16	-	30.2
Total assets		0.2	318.1
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables	18	245.6	304.0
Lease liabilities	19	-	0.2
Provisions	20	13.1	88.4
Preference shares	21	0.3	0.3
Total liabilities		259.0	392.9
Equity attributable to the shareholder			
Share capital	22	71.5	71.5
Share premium		1.0	1.0
Share-based payment reserve		-	0.8
Retained losses		(331.3)	(148.1)
Total equity deficit		(258.8)	(74.8)
Total liabilities and equity		0.2	318.1

The financial statements on pages 25 to 57 were approved by the board of directors on 20 May 2022 and signed on its behalf by:

N L M Moore
Director

H S Paton
Director

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 00146091)

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £m	Share premium £m	Share-based payment reserve £m	Retained earnings/ (losses) £m	Total £m
At 1 January 2020		71.5	1.0	0.5	(23.5)	49.5
Loss for the year		-	-	-	(124.7)	(124.7)
Other comprehensive income:						
- exchange differences on translation of foreign operations		-	-	-	(0.1)	(0.1)
Other comprehensive income for the year		-	-	-	(0.1)	(0.1)
Loss and total comprehensive expense for the year		-	-	-	(124.8)	(124.8)
Share-based payment charge	23	-	-	0.5	-	0.5
Transfer of share-based payment reserve		-	-	(0.2)	0.2	-
At 31 December 2020		71.5	1.0	0.8	(148.1)	(74.8)
At 1 January 2021		71.5	1.0	0.8	(148.1)	(74.8)
Loss for the year		-	-	-	(184.1)	(184.1)
Other comprehensive income:						
- exchange differences on translation of foreign operations		-	-	-	(0.1)	(0.1)
Other comprehensive income for the year		-	-	-	(0.1)	(0.1)
Loss and total comprehensive expense for the year		-	-	-	(184.2)	(184.2)
Share-based payment charge	23	-	-	0.2	-	0.2
Transfer of share-based payment reserve		-	-	(1.0)	1.0	-
At 31 December 2021		71.5	1.0	-	(331.3)	(258.8)

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 00146091)

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2021 £m	2020 £m
Cash flows (used in)/generated from operating activities			
Cash used in operations	26	(0.7)	(1.1)
Finance costs paid		(9.6)	(20.1)
Finance income received		7.6	14.2
Net cash used in operating activities		(2.7)	(7.0)
Cash flows (used in)/generated from investing activities			
Purchase of property, plant and equipment	13	-	(0.2)
Proceeds from disposal of property, plant and equipment	13	1.0	0.6
Net cash generated from investing activities		1.0	0.4
Net decrease in cash, cash equivalents and overdrafts		(1.7)	(6.6)
Cash, cash equivalents and overdrafts at beginning of year		1.7	8.3
Cash, cash equivalents and overdrafts at end of year		-	1.7
Cash, cash equivalents and overdrafts at end of year comprise:			
Cash at bank and in hand	9	-	1.7
Total cash, cash equivalents and overdrafts		-	1.7

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 00146091)

STATEMENT OF ACCOUNTING POLICIES

General information
The Company is a private company limited by shares incorporated and domiciled in England. The address of its registered office is No. 1 Godwin Street, Bradford, West Yorkshire, BD1 2SU.

Basis of preparation
The financial statements of the Group and Company are prepared in accordance with IFRS as adopted by the UK, International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006.

The change in basis of preparation from IFRS as adopted by the EU to IFRS as adopted by the UK is required as a result of the UK's exit from the EU on 31 January 2020. This change does not constitute a change in accounting policy and there is no impact on recognition, measurement or disclosure between the two frameworks in the period reported.

In preparing the financial statements, the directors are required to use certain critical accounting estimates and are required to exercise judgement in the application of the Company's accounting policies.

Going concern
The Company ceased trading at the end of the financial year following the decision to stop lending and collect out on the remaining loan book. The remaining loan book was written off in advance of the balance sheet date. It is not intended for the Company to trade for the foreseeable future and it is expected the Company will be placed into formal wind down proceedings in the near future. The directors have reviewed the going concern basis and have therefore presented the financial statements on a basis other than going concern. The directors do not consider that this has led to any material differences than if they were prepared on a going concern basis.

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

(a) The impact of new standards adopted by the Company from 1 January 2021
There have been no new or amended standards adopted in the financial year beginning 1 January 2021 which have a material impact on the Company.

(b) The impact of new standards not yet effective and not adopted by the Company from 1 January 2021
There are no new standards not yet effective and not adopted by the Company from 1 January 2021 which are expected to have a material impact on the Company.

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

Under IFRS 9, revenue on customer receivables is recognised using an effective interest rate. The effective interest rate is calculated using estimated cash flows, being contractual payments adjusted for the impact of customers who either repay early, to term or beyond term, but do not trigger the IFRS 9 default arrears stage during the full life of the loan. Directly attributable incremental issue costs are also taken into account in calculating the effective interest rate. Interest income is accrued on receivables using the original effective interest rate applied to either the loan's gross carrying amount or net carrying amount, dependent of the loan's credit risk status under IFRS 9 at the last reporting date, until revenue equal to the loan's original service charge has been fully recognised.

Revenue is recognised on the gross receivable when accounts are in IFRS 9 stages 1 and 2 and on the net receivable for accounts in stage 3. Accounts can only move between stages for revenue recognition at the Company's interim or year-end balance sheet date.

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

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

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

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

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

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

Impairment provisions are recognised on initial recognition of a loan, and are adjusted in line with changes in credit risk through the life of the loan based on the credit risk stages within IFRS 9: Financial Instruments. For certain loans the presumption of 30 days' contractual arrears in respect of the definition of significant increase in credit risk and 90 days' contractual arrears for the definition of default has been rebutted. This is supported by historical data which supports payment recency as a better indicator of the degree of impairment than overall past days due.

<u>Home credit business</u>

- Stage 1 – Accounts at initial recognition and customers who have either not missed a payment or missed the equivalent of only 1 payment in the last 12 weeks. The expected loss is based on the full lifetime credit loss adjusted for the 12 month probability of default, based on historic experience.
- Stage 2 – Accounts which have suffered a significant deterioration in credit risk, and have missed the equivalent of either 2, 3 or 4 payments in the last 12 weeks. The expected loss is based on the full lifetime credit loss, based on historic experience.
- Stage 3 – Accounts which have defaulted, i.e. have missed the equivalent of 5 or more payments in the last 12 weeks. The expected loss is based on the full lifetime credit loss, based on historic experience.

Within the home credit business, the impairment provision is calculated on a portfolio basis by reference to customer arrears stages and risk grade at the balance sheet date and is measured as the difference between the carrying value of the loans and the present value of estimated future cash flows discounted at the original effective interest rate applicable to the products and based on the actual duration profile. Subsequent cash flows are regularly compared to estimated cash flows to ensure that the estimates are sufficiently accurate for impairment provisioning purposes.

Amounts receivable from customers (continued)

Satsuma

- Stage 1 – Accounts at initial recognition and customers who are not in contractual arrears. The expected loss is based on the full lifetime credit loss adjusted for the 12 month probability of default, based on historic experience.
- Stage 2 – Accounts which have suffered a significant deterioration in credit risk, and have missed 1 monthly contractual payment. The expected loss is based on the full lifetime credit loss, based on historic experience.
- Stage 3 – Accounts which have defaulted, i.e. have missed 2 or more monthly contractual payments. The expected loss is based on the full lifetime credit loss, based on historic experience.

Within the Satsuma business, the impairment loss is calculated on an agreement level basis by reference to customer arrears stages and acquisition channel and is measured as the difference between the carrying value of the loans and the present value of estimated future cash flows discounted at the original effective interest rate. Subsequent cash flows are regularly compared to estimated cash flows to ensure that the estimates are sufficiently accurate for impairment provisioning purposes.

Within both businesses, there is no separate macro-economic overlay applied as the customers are not reflective of the wider economy as they are less indebted and are therefore not materially impacted by macro-economic factors.

Property, plant and equipment

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

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

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

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

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

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

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

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

Leases
The Company assesses whether a contract contains a lease at inception of a contract. A right of use asset and a corresponding liability is recognised with respect to all lease arrangements where it is a lessee, except for short term leases (leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the lease payments are recognised within administrative and operating expenses on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the incremental borrowing rate is used. This is defined as the rate of interest that the lessee would have to pay to borrow, over a similar term, and with similar security the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

The lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments;
- Variable lease payments;
- Payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease, using the effective interest rate method, and reducing to reflect the lease payments made.

The lease liability is re-measured whenever:

- The lease term has changed, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate, in which case the lease liability is re-measured by discounting the revised lease payments using the initial discount rate;
- The lease contract is modified and the modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The right of use asset comprises the initial measurement of the corresponding lease liability and is subsequently measured at cost less accumulated depreciation and impairment losses. Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The lease liability and right of use asset are presented as separate line items on the balance sheet. The interest on the lease and depreciation are charged to the statement of comprehensive income and presented within finance costs and administrative and operating costs respectively.

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

Intercompany
Expected credit losses on Company intercompany balances are assessed at each balance sheet date. The PDs and LGDs are determined for each loan based on the fellow Group subsidiary undertaking’s available funding and cash flow forecasts.

Borrowings
Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of comprehensive income over the expected life of the borrowings using the effective interest rate. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Dividends
Dividend distributions to the Company's shareholders are recognised in the financial statements when approved by the Company's shareholders.

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

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

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

Share-based payments
Equity-settled schemes:
The Company grants options under employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)). The scheme is equity-settled.

The cost of providing options and awards to Company employees is charged to the statement of comprehensive income of the Company over the vesting period of the related options and awards. The corresponding credit is made to a share-based payment reserve within equity. The cost of providing options and awards is based on their fair value. A binomial model is used for calculating the fair value of SAYE options which have no performance conditions attached. The value of the charge is adjusted at each balance sheet date to reflect lapses and expected or actual levels of vesting, with a corresponding adjustment to the share-based payment reserve.

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

Cancellations by employees of contributions to the Group's SAYE plans are treated as non-vesting conditions and the Group recognises, in the year of cancellation, the amount of the expense that would have otherwise been recognised over the remainder of the vesting period. Modifications are assessed at the date of modification and any incremental charges are recognised in the statement of comprehensive income.

Cash-settled schemes:
The Company also previously granted awards under the Provident Financial Equity Plan (PFEP) to eligible employees based on a percentage of their salary. The cost of the awards is based on the performance conditions of divisional profit before tax and share price growth or TSR growth compared to a comparator group. The scheme is cash settled.

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

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

Exceptional items

Exceptional items are items which the directors consider should be disclosed separately to enable a full understanding of the Company's results. An exceptional item needs to meet at least two of the following criteria:
– the financial impact is material;
– it is one-off and not expected to recur;
– it is outside the normal course of business.

Taxation

The tax entries represent the sum of current and deferred tax.

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

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

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

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

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Critical accounting assumptions and key sources of estimation uncertainty

There have been no judgements or key assumptions made by the directors in applying the Company's accounting policies that have had a significant effect on the amounts recognised in the financial statements. There have been no key assumptions made that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 00146091)

FINANCIAL AND CAPITAL RISK MANAGEMENT REPORT

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

The overall Group internal control and risk management framework is the responsibility of the Group board with certain responsibilities in respect of internal control and risk management being delegated to various sub-committees who report directly to the Group board. An overview of the Group's risk management framework can be found in the annual report of PF plc, which does not form part of this report.

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

(a) Credit risk

Counterparty risk

The Company's maximum exposure to credit risk on bank counterparties as at 31 December 2021 was £nil (2020: £0.9m).

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

(b) Liquidity risk

Liquidity risk is the risk that the Company will have insufficient liquid resources available to fulfil its operational plans and/or to meet its financial obligations as they fall due.

Liquidity risk is managed by the Group's centralised treasury department through daily monitoring of expected cash flows in accordance with a board approved Group funding and liquidity policy. This process is monitored regularly by the Assets and Liabilities Committee (ALCO).

The Group's funding and liquidity policy is designed to ensure that the Group is able to continue to fund the growth of the business. The Group therefore maintains headroom on its committed borrowing facilities to fund growth and contractual maturities for at least the following 12 months. As at 31 December 2021, the Group's committed borrowing facilities had a weighted average period to maturity of 2.5 years (2020: 1.5 years) and the headroom on these committed facilities amounted to £110.0m (2020: £79.3m).

The Group's current funding strategy is to maintain sufficient available funds and committed facilities to pre-fund the Group's liquidity and funding requirements for at least the next 12 months, maintaining access to diversified sources of funding comprising: (i) external market funding; (ii) securitisation; (iii) retail deposits; and (iv) liquidity and funding facilities at the Bank of England.

In line with the Group's funding strategy to place less reliance on revolving credit facilities, the Group's facility was repaid early in March 2022 (ahead of its contractual maturity in July 2023) and at the same time was cancelled at the discretion of the Group as allowed for in the terms of the facility. The headroom on committed facilities of £110.0m at 31 December 2021 reduced to £50.0m after cancellation of the facility. The Group does not require the funding and was not expecting to renew the facility on maturity.

FINANCIAL AND CAPITAL RISK MANAGEMENT REPORT (CONTINUED)

(b) Liquidity risk (continued)
A maturity analysis of the undiscounted contractual cash flows of the Group’s bank and other borrowings, including derivative financial instruments settled on a net and gross basis, is set out in the PF plc Annual Report.

(c) Interest rate risk
Interest rate risk is the risk of potential loss through unhedged or mismatched asset and liability positions, which are sensitive to changes in interest rates. Primarily, the Group is at risk of a change in external interest rates which leads to an increase in the Group’s cost of borrowing.

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

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

A 2% movement in the interest rate applied to borrowings during 2021 and 2020 would not have had a material impact on the Group’s profit before taxation or equity given that the Group’s receivables can be repriced over a relatively short timeframe. Further details of the interest rate risk management are detailed within the PF plc Annual Report.

Key benchmark interest rates and indices, such as the London Interbank Offered Rate (LIBOR), were reformed in favour of risk-free rates such Sterling Overnight Index Average (SONIA) in the UK. LIBOR was withdrawn at the end of 2021. Over the course of 2021, the Group has refinanced all historically LIBOR-linked liabilities to reference SONIA.

(d) Market risk
Market risk is the risk of loss due to adverse market movements caused by active trading positions taken in interest rates, foreign exchange markets, bonds and equities. The Group's corporate policies do not permit it or the Company to undertake position taking or trading books of this type and therefore neither it or the Company does so.

(e) Capital risk
Capital risk is managed by the Group’s centralised treasury department. The Group manages capital risk by focussing on capital efficiency and effective risk management. This takes into account the requirements of a variety of different stakeholders including shareholders, policyholders, regulators and rating agencies. A more detailed explanation of the management of capital risk can be found in the PF plc Annual Report which does not form part of this report.

NOTES TO THE FINANCIAL STATEMENTS

1 Revenue

	2021 £m	2020 £m
Interest income	68.1	191.5

2 Finance income

	2021 £m	2020 £m
Interest receivable from parent undertaking	7.6	14.2

3 Finance costs

	2021 £m	2020 £m
Interest payable to ultimate parent undertaking	-	20.7
Interest payable to intermediate holding company	9.6	-
Exceptional interest credit on borrowings from ultimate parent undertaking (note 4)	-	(0.6)
Total finance costs	9.6	20.1

In 2021 and 2020 Provident Financial plc waived the right to receive the 5.165% dividend on the preference shares issued in 2002 and the 5.84% dividend on the preference shares issued in 2004. The amount paid in 2021 was therefore £nil (2020: £nil).

4 Loss before taxation

	2021 £m	2020 £m
Loss before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment (note 13)	0.2	0.9
Profit on disposal of property, plant and equipment (note 13)	(0.1)	-
Operating lease rentals:		
- property	-	0.2
Depreciation of right of use assets (note 14)	0.1	0.1
Employment costs (prior to exceptional redundancy costs (note 8(b))	35.2	71.7
Exceptional items:		
- exceptional interest credit on borrowings from ultimate parent undertaking (note 3)	-	(0.6)
- restructuring costs	2.3	-
- exceptional impairment of property, plant and equipment	0.6	-
- exceptional impairment of right of use assets	0.1	-
- redundancy costs (note 8(b))	15.5	2.1
- exceptional impairment provision held against amounts owed by parent undertaking (note 12)	97.4	-
- customer redress provision (note 20)	(65.0)	65.0
- exceptional provision (note 20)	5.0	-
Impairment of amounts receivable from customers (note 10)	59.6	51.0

4 Loss before taxation (continued)

Exceptional items in 2021 of £55.9m relate to: exceptional charges relating to the closure of the business of £18.5m including £15.5m of redundancy costs; a charge of £5.0m to cover expected costs in relation to the CCD enforcement investigation, focusing on the consideration of affordability and sustainability of lending to customers, as well as the application of a Financial Ombudsman Service (FOS) decision into the complaint handling process, in the period between February 2020 and February 2021; and an impairment provision of £97.4m (2020: £nil) held against amounts owed by PFMSL as PFMSL ceased its service provisioning trade at the end of the financial year, is not intended to trade for the foreseeable future, and it is expected PFMSL will be placed into formal wind down proceedings in the near future; partly offset by a £65.0m exceptional credit due to a provision release following the approval of the Scheme in August 2021 and the set up and funding of the Provident SPV, whereby the Company was released of its liabilities for the £50.0m provision for customer claims under the Scheme and £15.0m of costs to deliver the Scheme.

Exceptional items in 2020 of £66.5m relate to: £50.0m for the provision for customer claims under the CCD Scheme of Arrangement and £15.0m of costs to deliver the Scheme; £2.1m of redundancy costs following the removal of approximately 400 field roles in the UK field operation to reflect the reduction in customer numbers and receivables, and to more effectively align field roles with customer preferences; and an exceptional gain of £0.6m, offset against finance costs, relating to an additional interest credit on borrowings from the Company's ultimate parent, Provident Financial plc following the tender and early redemption of the 2018 five-year-fixed-rate bond in August 2020.

Auditor's remuneration payable to Deloitte LLP in respect of the audit of the Company's financial statements was £75,000 (2020: £220,000). Auditor's remuneration to Deloitte LLP in respect of other services was £nil (2020: £nil).

5 Tax charge

Tax (charge)/credit in the statement of comprehensive income	2021 £m	2020 £m
Current tax		
- UK	4.1	4.3
Deferred tax (charge)/credit (note 16)	(30.2)	22.6
Impact of change in UK tax rate	-	0.8
Total tax (charge)/credit	(26.1)	27.7

In 2016, changes in corporation tax rates were enacted which reduced the mainstream corporation tax rate to 17% with effect from 1 April 2020. Prior to 1 April 2020 the mainstream corporation tax rate was 19%. In 2020, the reduction in the mainstream corporation tax rate to 17% was cancelled and the rate remained at 19% for 2020. During 2021, a further change was enacted to increase the mainstream corporation tax rate from 19% to 25% with effect from 1 April 2023.

Deferred tax balances at 31 December 2019 were measured at the mainstream corporation tax rate of 17% to the extent that the temporary differences on which the deferred tax was calculated were expected to reverse after 1 April 2020. At 31 December 2020, these deferred tax balances were re-measured at the mainstream corporation tax rate of 19%, as were movements in the deferred tax balances during the year. A tax credit of £0.8m represented the income statement adjustment to deferred tax as a result of these changes and there was no adjustment to other comprehensive income.

At 31 December 2021, the deferred tax balances have not been re-measured at the mainstream corporation tax rate of 25% (2020: 19%) as all remaining deferred tax balances have been written off following the closure of the business.

5 Tax credit (continued)

The rate of tax charge on the loss before taxation for the year is higher than the average standard rate of corporation tax in the UK of 19%. The rate of tax credit on the loss before taxation for 2020 was lower than the average standard rate of corporation tax in the UK of 19%. This can be reconciled as follows:

	2021 £m	2020 £m
Loss before taxation	(158.0)	(152.4)
Loss before taxation multiplied by the average standard rate of corporation tax in the UK of 19% (2020: 19%)	30.0	29.0
Effect of:		
- impact of change in UK tax rate	-	0.8
- impact of write off of deferred tax assets (note (a))	(21.2)	(0.1)
- discount on payment for losses (note (b))	(4.7)	-
- impact of lower rates overseas and overseas losses (note (c))	(3.6)	(1.8)
- adjustment in respect of prior years (note (d))	(0.3)	(0.2)
- prior year adjustments related to transfer pricing and losses (note (e))	(7.8)	-
- non-deductible debt impairment (note (f))	(18.5)	-
Total tax (charge)/credit	(26.1)	27.7

(a) Write off of deferred tax assets
Deferred tax assets written off in 2021 of £21.2m relate to tax losses carried forward and other temporary differences for which, following the closure of the business, it is considered unlikely that future tax relief will be available.

In 2020, deferred tax assets written off amounted to £0.1m and related to employee share scheme awards where future deductions were expected to be lower than previously anticipated.

(b) Discount on payment for losses
This comprises a charge of £4.7m (2020: £nil) in respect of tax losses which have been surrendered as group relief to other Provident Financial Group companies and which have been paid for at a discounted price in consideration for the continued funding of the Company by the Group.

(c) Impact of lower rates overseas and overseas losses
The home credit business in the Republic of Ireland is subject to tax at the Republic of Ireland statutory tax rate of 12.5% (2020: 12.5%) rather than the UK statutory mainstream corporation tax rate of 19.0% (2020:19%). In 2021, the home credit business in the Republic of Ireland made a loss (2020: loss) which can only be relieved against future profits of the business in the Republic of Ireland at the 12.5% statutory rate rather than the 19.0% UK statutory tax rate. In light of the closure of the business in the Republic of Ireland, no deferred tax asset has been recognised in respect of this loss giving rise to a total adverse impact on the Group tax charge of £3.6m (2020: adverse impact of £1.8m).

(d) Adjustments in respect of prior years
The £0.3m tax charge (2020: £0.2m charge) in respect of prior years primarily relates to adjustments in respect of expenses not deductible for tax purposes and tax deductions for employee share awards.

(e) Prior year adjustments related to transfer pricing and losses
This comprises a £7.8m charge (2020: £nil) and relates to: (a) transfer pricing adjustments between the Company and other members of the Provident Financial Group in the prior year; and (b) adjustments related to prior year tax losses of the Company which have been surrendered as group relief to other members of the Provident Financial Group at a discounted price in consideration for the continued funding of the Company by the Group.

5 Tax credit (continued)

(f) Non-deductible debt impairment
This comprises a charge of £18.5m (2020: £nil) in respect of the £97.4m impairment provision held against the amount owed by PFMSL, which is non-deductible for tax purposes.

6 Dividends

During the year ended 31 December 2021, the directors did not pay an interim dividend on the ordinary shares of the Company (2020: £nil).

7 Directors' remuneration

The emoluments of M J Le May and N Kapur are paid and disclosed by the ultimate parent company, Provident Financial plc; the emoluments of N L Moore and H S Paton are paid and disclosed by the immediate parent company, PFMSL. Directors' emoluments are recharged to the Company as part of a management charge. This management charge also includes a recharge of administrative costs borne by the immediate parent company on behalf of the Company and it is not possible to identify separately the amount relating to each director's emoluments.

During the year two directors exercised share awards under share incentive schemes (2020: none).

8 Employee information

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

	2021 Number	2020 Number
Administrative	9	17
Operations	838	1,834
Total	847	1,851
Analysed as:		
Full time	802	1,674
Part time	45	177
Total	847	1,851

(b) Employment costs

	2021 £m	2020 £m
Aggregate gross wages and salaries paid to the company's employees	29.1	60.5
Employer's National Insurance contributions	2.9	6.1
Pension charge (note 15)	3.0	4.7
Share-based payment charge (note 23)	0.2	0.4
Total employment costs prior to exceptional redundancy costs	35.2	71.7
Exceptional redundancy costs (note 4)	15.5	2.1
Total employment costs	50.7	73.8

8 Employee information (continued)

(b) Employment costs (continued)
All the above employee information excludes directors whose remuneration is paid by PF plc or PFMSL. These costs are recharged to the Company as a management recharge at the year end.

The pension charge comprises contributions to the defined benefit and stakeholder pension plan (see note 15).

The share-based payment charge of £0.2m (2020: £0.4m) relates to equity-settled schemes charge of £0.2m (2020: £0.5m) and cash-settled schemes credit of £nil (2020: £0.1m).

9 Cash and cash equivalents

	2021 £m	2020 £m
Cash at bank and in hand	-	1.7

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

Currency	2021 £m	2020 £m
Sterling	-	1.6
Euro	-	0.1
Total	-	1.7

10 Amounts receivable from customers

Receivables comprise £nil in respect of the home credit business (2020: £135.2m) and £nil in respect of Satsuma (2020: £3.7m).

The gross amounts receivable from customers and allowance account which form the net amounts receivable from customers is as follows:

	2021 £m	2020 £m
Gross amount receivable from customers	-	454.2
Allowance account	-	(315.3)
Reported amounts receivable from customers	-	138.9

10 Amounts receivable from customers (continued)

Amounts received from customers can be reconciled as follows:

	Stage 1 £m	Stage 2 £m	Stage 3 £m	2021 Total £m
Gross carrying amount				
At 1 January	76.9	17.9	359.4	454.2
New financial assets originated	13.8	0.3	-	14.1
Transfers due to changes in credit risk				
From stage 1 to stage 2	(8.3)	8.3	-	-
From stage 1 to stage 3	(16.9)	-	16.9	-
From stage 2 to stage 1	1.4	(1.4)	-	-
From stage 2 to stage 3	-	(15.0)	15.0	-
From stage 3 to stage 1	0.5	-	(0.5)	-
From stage 3 to stage 2	-	2.9	(2.9)	-
Write-offs	(8.1)	(6.7)	(360.1)	(374.9)
Recoveries	(102.4)	(17.2)	(41.0)	(160.6)
Revenue	43.3	10.9	13.8	68.0
Other movements	(0.2)	-	(0.6)	(0.8)
At 31 December	-	-	-	-
Allowance account				
At 1 January	(5.8)	(3.8)	(305.7)	(315.3)
Movements through statement of comprehensive income:				
New financial assets originated	(0.5)	-	-	(0.5)
Transfers due to changes in credit risk				
From stage 1 to stage 2	2.1	(2.1)	-	-
From stage 1 to stage 3	4.2	-	(4.2)	-
From stage 2 to stage 1	(0.6)	0.6	-	-
From stage 2 to stage 3	-	6.9	(6.9)	-
From stage 3 to stage 1	(0.4)	-	0.4	-
From stage 3 to stage 2	-	(2.4)	2.4	-
Remeasurements within existing stage	(7.1)	(5.9)	(46.1)	(59.1)
Total movements through statement of comprehensive income	(2.3)	(2.9)	(54.4)	(59.6)
Other movements:				
Write-offs	8.1	6.7	360.1	374.9
Allowance account at 31 December	-	-	-	-
Reported amounts receivable from customers at 31 December	-	-	-	-
Reported amounts receivable from customers at 1 January	71.1	14.1	53.7	138.9

An increase of 1% of the gross exposure into stage 2 from stage 1 would result in an increase in the allowance account of £nil (2020: £0.1m) based on applying the difference between the coverage ratios from stage 1 to stage 2 to the movement in gross exposure.

There is no additional macroeconomic provision included in the allowance account for the Company, consistent with the prior year, as the payment performance of home credit customers is not typically correlated to the wider economy as may be the case for prime customers.

10 Amounts receivable from customers (continued)

	Stage 1 £m	Stage 2 £m	Stage 3 £m	2020 Total £m
Gross carrying amount				
At 1 January	155.9	36.0	402.0	593.9
New financial assets originated	160.7	3.4	-	164.1
Transfers due to changes in credit risk				
From stage 1 to stage 2	(13.0)	13.0	-	-
From stage 1 to stage 3	(58.2)	-	58.2	-
From stage 2 to stage 1	3.5	(3.5)	-	-
From stage 2 to stage 3	-	(18.9)	18.9	-
From stage 3 to stage 1	3.2	-	(3.2)	-
From stage 3 to stage 2	-	3.7	(3.7)	-
Write-offs	(0.2)	(0.3)	(80.5)	(81.0)
Recoveries	(299.3)	(41.5)	(76.9)	(417.7)
Revenue	123.4	25.7	42.2	191.3
Other movements	0.9	0.3	2.4	3.6
At 31 December	76.9	17.9	359.4	454.2
Allowance account				
At 1 January	(10.4)	(10.1)	(324.4)	(344.9)
Movements through statement of comprehensive income:				
New financial assets originated	(7.6)	(0.5)	-	(8.1)
Transfers due to changes in credit risk				
From stage 1 to stage 2	0.6	(0.6)	-	-
From stage 1 to stage 3	2.9	-	(2.9)	-
From stage 2 to stage 1	(0.5)	0.5	-	-
From stage 2 to stage 3	-	5.9	(5.9)	-
From stage 3 to stage 1	(0.9)	-	0.9	-
From stage 3 to stage 2	-	(1.1)	1.1	-
Remeasurements within existing stage	9.9	1.8	(54.6)	(42.9)
Total movements through statement of comprehensive income	4.4	6.0	(61.4)	(51.0)
Other movements:				
Write-offs	0.2	0.3	80.5	81.0
Other movements	-	-	(0.4)	(0.4)
Allowance account at 31 December	(5.8)	(3.8)	(305.7)	(315.3)
Reported amounts receivable from customers at 31 December	71.1	14.1	53.7	138.9
Reported amounts receivable from customers at 1 January	145.5	25.9	77.6	249.0

10 Amounts receivable from customers (continued)

A breakdown of the gross receivable by internal credit risk rating below segments the credit risk rating on a basis aligned to the five credit risk grades in home credit. The Satsuma gross receivable is then consolidated on an aligned basis through use of a probability of write off assessment:

	Stage 1	Stage 2	Stage 3	2021 Total
	£m	£m	£m	£m
Very good	-	-	-	-
Good	-	-	-	-
Satisfactory	-	-	-	-
Lower quality	-	-	-	-
Below standard	-	-	-	-
Total	-	-	-	-

	Stage 1	Stage 2	Stage 3	2020 Total
	£m	£m	£m	£m
Very good	38.6	5.7	4.4	48.7
Good	15.6	4.2	7.4	27.2
Satisfactory	16.7	5.5	25.2	47.4
Lower quality	3.1	1.7	55.6	60.4
Below standard	2.9	0.8	266.8	270.5
Total	76.9	17.9	359.4	454.2

Internal credit risk ratings for home credit customers are assessed on a weekly basis derived from behavioural scores which are generated from three primary underlying behavioural scorecards which vary dependent on the length of a customer's time on book. The scorecards use a combination of application data, bureau data and the customer's performance since coming on to the book, to create a behavioural score which is then consolidated into one of five credit risk grades that therefore reflect the assessment of customer risk. These risk grades are used to determine decisioning on further lending to customers in conjunction with lending mandates, as well as being a variable in the expected loss assessment of a customer, as set out above.

An impairment charge of £59.6m (2020: £51.0m) in respect of amounts receivable from customers is reflected in impairment charges in the statement of comprehensive income.

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

	2021	2020
Currency profile of amounts receivable from customers	£m	£m
Sterling	-	120.6
Euro	-	18.3
Total	-	138.9

11 Financial instruments

The following table sets out the carrying value of the Company's financial assets and liabilities in accordance with the categories of financial instruments set out in IFRS 9. Assets and liabilities outside the scope of IFRS 9 are shown within non-financial assets/liabilities:

			2021
	Amortised cost £m	Non-financial assets/ liabilities £m	Total £m
Assets			
Cash and cash equivalents	-	-	-
Amounts receivable from customers	-	-	-
Trade and other receivables	0.2	-	0.2
Current tax assets	-	-	-
Property, plant and equipment	-	-	-
Right of use assets	-	-	-
Deferred tax assets	-	-	-
Total assets	0.2	-	0.2
Liabilities			
Trade and other payables	(245.6)	-	(245.6)
Lease liabilities	-	-	-
Provisions	-	(13.1)	(13.1)
Preference shares	-	(0.3)	(0.3)
Total liabilities	(245.6)	(13.4)	(259.0)

			2020
	Amortised cost £m	Non-financial assets/ liabilities £m	Total £m
Assets			
Cash and cash equivalents	1.7	-	1.7
Amounts receivable from customers	138.9	-	138.9
Trade and other receivables	140.7	-	140.7
Current tax assets	-	4.7	4.7
Property, plant and equipment	-	1.7	1.7
Right of use assets	-	0.2	0.2
Deferred tax assets	-	30.2	30.2
Total assets	281.3	36.8	318.1
Liabilities			
Trade and other payables	(304.0)	-	(304.0)
Lease liabilities	(0.2)	-	(0.2)
Provisions	-	(88.4)	(88.4)
Preference shares	-	(0.3)	(0.3)
Total liabilities	(304.2)	(88.7)	(392.9)

The carrying value for all financial assets represents the maximum exposure to credit risk.

12 Trade and other receivables

	2021	2020
	£m	£m
Other receivables	0.2	1.6
Amounts owed by parent undertaking	-	131.0
Amounts owed by fellow subsidiary undertakings	-	7.9
Prepayments and accrued income	-	0.2
Total	0.2	140.7

Within the Company, an impairment provision of £97.4m is held against amounts owed by parent undertaking, PFMSL, as PFMSL ceased its service provisioning trade at the end of the financial year, is not intended to trade for the foreseeable future, and it is expected PFMSL will be placed into formal wind down proceedings in the near future.

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

The maximum exposure to credit risk of trade and other receivables is the carrying value of each class of receivable set out above. There is no collateral held in respect of trade and other receivables (2020: £nil).

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

13 Property, plant and equipment

	Equipment and vehicles	
	2021	2020
	£m	£m
Cost		
At 1 January	6.7	7.8
Additions	-	0.2
Disposals	(6.7)	(1.3)
At 31 December	-	6.7
Accumulated depreciation		
At 1 January	5.0	4.8
Charged to the statement of comprehensive income	0.2	0.9
Disposals	(5.8)	(0.7)
Exceptional impairment charge	0.6	-
At 31 December	-	5.0
Net book value at 31 December	-	1.7
Net book value at 1 January	1.7	3.0

The profit on disposal of property, plant and equipment in 2021 amounted to £0.1m (2020: profit of £nil) and represented proceeds received of £1.0m (2020: £0.6m) less the net book value of disposals of £0.9m (2020: £0.6m).

Following the cessation of trading at the end of the financial year following the decision to stop lending and collect out on the remaining loan book, the carrying amount of property, plant and equipment of £0.6m was fully impaired.

14 Right of use assets

	2021	2020
	£m	£m
Cost		
At 1 January	0.4	0.3
Additions	-	0.1
Disposals	(0.4)	-
At 31 December	-	0.4
Accumulated depreciation		
At 1 January	0.2	0.1
Charged to the statement of comprehensive income	0.1	0.1
Disposals	(0.4)	-
Exceptional impairment charge	0.1	-
At 31 December	-	0.2
Net book value at 31 December	-	0.2
Net book value at 1 January	0.2	0.2

All right of use assets relate to property leases.

Following the cessation of trading at the end of the financial year following the decision to stop lending and collect out on the remaining loan book, the carrying amount of right of use assets of £0.1m was fully impaired.

15 Retirement benefits

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

(a) Pension schemes - defined benefit
In order to provide its employees with a defined benefit pension, the Company participates in the Provident Financial Staff Pension Scheme. The scheme is of the funded, defined benefit type. It is now also closed to future accrual.

The scheme provides pension benefits which were accrued on a final salary and, more recently, on a cash balance basis. With effect from 1 August 2021 it was fully closed to future accrual and benefits are no longer linked to final salary, although accrued benefits are subject to statutory inflationary increases.

The scheme is a multi-employer scheme, sponsored by Provident Financial plc and, although the Company participates in the scheme, there is no contractual agreement for charging the Company a portion of the defined benefit costs of the plan as a whole. In accordance with IAS 19, 'Employee benefits', the Company recognises the contributions payable in respect of its current employees in its individual financial statements, similar to the treatment of a defined contribution scheme. In 2021 these contributions amounted to £1.7m (2020: £2.7m). The expected contributions to the defined benefit pension scheme in the year ending 31 December 2022 are approximately £nil.

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

15 Retirement benefits (continued)

(a) Pension schemes - defined benefit (continued)

The retirement benefit asset reflects the difference between the present value of the Group's obligation to current and past employees to provide a defined benefit pension and the fair value of assets held to meet that obligation. As at 31 December 2021, the fair value of the assets exceeded the obligation and hence a net pension asset has been recorded in the Group's financial statements. The most recent actuarial valuation of the scheme was carried out as at 1 June 2018 by a qualified independent actuary. The valuation used for the purposes of IAS 19 'Employee benefits' has been based on the results of the 2018 valuation to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at the balance sheet date. Scheme assets are stated at fair value as at the balance sheet. The Group is entitled to a refund of any surplus, subject to tax, if the scheme winds up after all benefits have been paid. As a result, the Group recognises surplus assets under IAS 19.

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

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

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

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

	Group			
	2021		2020	
	£m	%	£m	%
Equities	95.8	11	80.6	9
Corporate bonds	129.7	14	383.0	41
Other quoted securities	672.7	75	-	-
Fixed interest gilts	-	-	275.2	29
Index-linked gilts	-	-	192.7	21
Cash and money market funds	0.6	-	1.5	-
Total fair value of scheme assets	898.8	100	933.0	100
Present value of funded defined benefit obligations	(786.6)		(853.3)	
Net retirement benefit asset recognised in the balance sheet	**112.2**		**79.7**	

15 Retirement benefits (continued)

(a) Pension schemes - defined benefit (continued)

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

	Group	
	2021	2020
	£m	£m
Fair value of scheme assets at 1 January	933.0	842.6
Interest on scheme assets	13.0	16.7
Actuarial movement on scheme assets	(20.2)	102.8
Contributions by the group	4.0	4.2
Net benefits paid out	(31.0)	(33.3)
Fair value of scheme assets at 31 December	898.8	933.0

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

	Group	
	2021	2020
	£m	£m
Present value of the defined benefit obligation at 1 January	(853.3)	(764.6)
Current service cost	(2.1)	(1.7)
Interest on scheme liabilities	(11.8)	(15.1)
Exceptional past service credit - plan amendment	1.5	(0.7)
Exceptional past service credit - curtailment credit	0.8	-
Actuarial movement - experience	(10.3)	4.3
Actuarial movement - demographic assumptions	12.9	(2.0)
Actuarial movement - financial assumptions	44.7	(106.8)
Net benefits paid out	31.0	33.3
Present value of defined benefit obligation at 31 December	(786.6)	(853.3)

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

	Group	
	2021	2020
	%	%
Price inflation - RPI	3.40	2.85
Price inflation - CPI	3.00	2.25
Rate of increase to pensions in payment	3.00	2.70
Inflationary increase to pensions in deferment	3.00	2.20
Discount rate	1.85	1.30

(b) Pension schemes - defined contribution

The Group operates a stakeholder pension plan into which the Company contributes a proportion of pensionable earnings of the member (typically ranging between 5.1% and 10.6%) dependent on the proportion of pensionable earnings contributed by the member through a salary sacrifice arrangement (typically ranging between 3.0% and 8.0%).

The Group also operates a separate pension scheme for auto-enrolment into which the Company contributes a proportion of qualifying earnings of the member of 1%.

The pension charge in the Company's statement of comprehensive income represents contributions payable by the Company in respect of these plans and amounted to £1.3m for the year ended 31 December 2021 (2020: £2.0m). No contributions were payable to the fund at the year-end (2020: £nil).

The Company made no contributions to personal pension plans in the year (2020: £nil).

16 Deferred tax

Deferred tax is a future tax liability or asset resulting from temporary differences between the accounting value of assets and liabilities and their value for tax purposes or from tax losses carried forward at the reporting date.

Deferred tax arises primarily in respect of: (a) property, plant and equipment which is depreciated on a different basis for tax purposes; (b) the opening balance sheet adjustments to restate the IAS 39 balance sheet onto an IFRS 9 basis for which tax deductions are available over 10 years; (c) tax losses carried forward to be relieved against profits in future periods; and (d) deductions for employee share awards which are recognised differently for tax purposes.

In 2016, changes in corporation tax rates were enacted which reduced the mainstream corporation tax rate to 17% with effect from 1 April 2020. Prior to 1 April 2020 the mainstream corporation tax rate was 19%. In 2020, the reduction in the mainstream corporation tax rate to 17% was cancelled and the rate remained at 19% for 2020. During 2021, a further change was enacted to increase the mainstream corporation tax rate from 19% to 25% with effect from 1 April 2023.

Deferred tax balances at 31 December 2019 were measured at the mainstream corporation tax rate of 17% to the extent that the temporary differences on which the deferred tax was calculated were expected to reverse after 1 April 2020. At 31 December 2020, these deferred tax balances were re-measured at the mainstream corporation tax rate of 19%, as were movements in the deferred tax balances during the year. A tax credit of £0.8m represented the income statement adjustment to deferred tax as a result of these changes and there was no adjustment to other comprehensive income.

At 31 December 2021, deferred tax balances have not been re-measured at the mainstream corporation tax of 25% (2020: 19%) as the deferred tax assets have been entirely written off following the closure of the business as it is considered unlikely that future tax relief will be available. As such there is no impact of the change in UK tax rate in 2021.

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

Asset	2021 £m	2020 £m
At 1 January	30.2	6.8
(Charge)/credit to the statement of comprehensive income (note 5)	(30.2)	22.6
Impact of change in UK tax rate:		
- credit to the statement of comprehensive income	-	0.8
At 31 December	-	30.2

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

	2021				
	Accelerated capital allowances £m	IFRS 9 £m	Other temporary differences £m	Tax losses £m	Total £m
At 1 January	0.4	6.0	0.2	23.6	30.2
Charge to the statement of comprehensive income	(0.4)	(6.0)	(0.2)	(23.6)	(30.2)
At 31 December	-	-	-	-	-

16 Deferred tax (continued)

	Accelerated capital allowances £m	IFRS 9 £m	Other temporary differences £m	Tax losses £m	Total £m
					2020
At 1 January	0.5	6.1	0.2	-	6.8
Credit/(charge) to the statement of comprehensive income	(0.1)	(0.8)	(0.1)	23.6	22.6
Impact of change in UK tax rate:					
- credit to the statement of comprehensive income	-	0.7	0.1	-	0.8
At 31 December	0.4	6.0	0.2	23.6	30.2

At 31 December 2020, there were £124.5m of carried forward UK tax losses on which a deferred tax asset was recognised.

At 31 December 2021, there are £85.2m of carried forward UK tax losses for which it is no longer appropriate to recognise a deferred tax asset as the ability to carry forward the losses for offset against future Group profits is likely to have lapsed following the closure of the business. At 31 December 2021, no deferred tax assets are recognised in respect of any other deductible temporary differences or in respect of the losses of the home credit business in the Republic of Ireland for similar reasons.

17 Bank and other borrowings

Borrowing facilities principally comprise overdrafts which are repayable on demand. As at 31 December 2021, borrowings amounted to £nil (2020: £nil).

18 Trade and other payables

	2021 £m	2020 £m
Trade payables	0.5	-
Amounts owed to intermediate holding company	238.8	292.1
Amounts owed to fellow subsidiary undertaking	0.5	-
Other payables including taxation and social security	1.8	5.6
Accruals	4.0	6.3
Total	245.6	304.0

The fair value of trade and other payables equates to their book value (2020: fair value equated to book value). All liabilities are classed as current liabilities. The amounts owed to the ultimate parent undertaking, parent undertaking and fellow subsidiary undertakings are unsecured, due for repayment in less than one year and generally accrue interest at rates linked to SONIA. The amounts owed to the intermediate holding Company accrue interest linked to the monthly weighted average cost of funds of the ultimate parent plus a margin (see note 24).

19 Lease liabilities

A maturity analysis of the lease liabilities is shown below:

	2021 £m	2020 £m
Due within one year	-	0.1
Due between one and five years	-	0.1
Due in more than five years	-	-
Total lease liabilities	-	0.2

The total cash outflow for leases in the year amounted to £0.3m (2020: £0.3m) for the Company, including short-term lease cash outflows of £0.1m (2020: £0.2m). At 31 December 2020, the Company is also committed to £nil for short-term leases (2020: £nil).

20 Provisions

	2021 £m	2020 £m
At 1 January	88.4	-
Created in the year	13.1	45.5
Created in the year (scheme of arrangement)	-	65.0
Reclassified in the year		17.6
Utilised in the year	(23.4)	(39.7)
Released in the year	(65.0)	-
At 31 December	13.1	88.4
Analysed as:		
Complaints of irresponsible lending		23.4
Scheme of Arrangement	-	65.0
Refund to eligible customers	7.3	-
FCA investigation into CCD	4.1	-
Discontinued operations	1.7	-
At 31 December	13.1	88.4

All provisions are expected to be utilised within 12 months of the year end.

Complaints of irresponsible lending: £nil (2020: £23.4m)
Significantly higher claims volumes were received by CCD in 2020 in respect of irresponsible lending of home credit loans. £23.4m was provided at 31 December 2020 for the claims received for irresponsible lending. This reflected the recent uphold rates and settlement values. The provision also assumed a settlement rate of customer claims to the date of the Practice Statement Letter (PSL) being issued on 15 March 2021, as part of the Scheme of Arrangement (the Scheme). These amounts were fully utilised during the first half of 2021.

The Scheme of Arrangement (the Scheme): £nil (2020: £65m)
The Scheme of Arrangement was sanctioned on 30 July 2021. Following the approval of the Scheme, and the set up and funding of the Provident SPV, the Company was released from its liabilities in respect of creditors covered by the Scheme who will be compensated through the funded Scheme. The associated costs of administering the Scheme are to be met directly by Provident Financial plc. Therefore the provision was fully released at the end of August 2021.

20 Provisions (continued)

Refund to eligible customers: £7.3m (2020: £nil)
The Scheme of Arrangement was sanctioned on 30 July 2021. A provision has been created to refund collections received from customers after the date of sanctioning who potentially have a valid claim under the Scheme. A provision of £7.3m was held at the end of December 2021.

FCA investigation into CCD: £4.1m (2020: £nil)
CCD was informed in Q1 2021 that the FCA had opened an enforcement investigation focusing on the consideration of affordability and sustainability of lending to customers, as well as the application of a FOS decision into the complaint handling process, in the period between February 2020 and February 2021. Discussions continue with the FCA on this matter. Analysis of lending during the period of investigation has resulted in a provision of £5m being recognised which reflects the current best estimate of the settlement; £0.9m of this was utilised in the second half of the year.

Discontinued operations: £1.7m (2020: £nil)
A number of smaller provisions have been recognised in relation to the closure of the business. These have been calculated based on estimated costs at the year end.

21 Preference shares

	2021 £m	2020 £m
Preference shares	0.3	0.3

		2021		2020	
		Authorised	Issued and fully paid	Authorised	Issued and fully paid
Preference shares of 1p each	**- £m**	0.3	0.3	0.3	0.3
	- number (m)	30.2	30.2	30.2	30.2

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

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

In 2021 and 2020 Provident Financial plc waived the right to receive the 5.165% dividend on the preference shares issued in 2002 and the 5.84% dividend on the preference shares issued in 2004. The amount paid in 2021 was therefore £nil (2020: £nil).

22 Share capital

		2021		2020	
		Authorised	Issued and fully paid	Authorised	Issued and fully paid
Ordinary shares of 25p each	**- £m**	99.8	71.5	99.8	71.5
	- number (m)	399.3	286.2	399.3	286.2

There are no shares issued and not fully paid at the end of the year (2020: no shares).

23 Share-based payments

Provident Financial plc operates five equity-settled share schemes: the Restricted Share Plan (RSP), the Company Share option Plan Option (CSOP), the Long Term Incentive Scheme (LTIS), employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)), and the Deferred Bonus Plan (DBP) where shares in the parent company are available to the employees of the Company.

During 2020 and 2021, options have been granted under the SAYE scheme only.

(a) Equity-settled schemes

The charge to the statement of comprehensive income during the year was £0.2m (2020: £0.5m) for equity-settled schemes.

The assumptions to consider the appropriate fair values of options are outlined below:

	2021	2020
	SAYE	SAYE
Grant date	05-Oct-21	07-Oct-20
Share price at grant date (£)	3.32	2.19
Exercise price (£)	2.84	1.82
Shares awarded/under option (number)	126	650,843
Vesting period (years)	3	3 and 5
Expected volatility	61.5%	68.5% to 76.0%
Option life (years)	3	Up to 5
Expected life (years)	3	Up to 5
Risk-free rate	0.5%	-0.01% to -0.06%
Expected dividends expressed as a dividend yield	5.1%	6.8%
Fair value per award/option (£)	1.06	0.71 to 0.80

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

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

	SAYE	
2021	Number	Weighted average exercise price £
Outstanding at 1 January	978,818	2.66
Granted	126	2.84
Lapsed	(721,633)	2.75
Exercised	(85,114)	1.81
Transferred to fellow Group subsidiary	(172,197)	2.72
Outstanding at 31 December	-	-
Exercisable at 31 December	-	-

23 Share-based payments (continued)

(a) Equity-settled schemes (continued)

2020	SAYE Number	SAYE Weighted average exercise price £
Outstanding at 1 January	791,871	5.52
Granted	650,843	3.23
Lapsed	(463,349)	5.42
Exercised	(547)	6.35
Outstanding at 31 December	978,818	4.11
Exercisable at 31 December	-	14.18

Share options outstanding under the SAYE schemes at 31 December 2021 had exercise prices ranging from 182p to 1,723p (2020: 182p to 1,707p) and a weighted average remaining contractual life of 1.7 years (2020: 2.7 years).

Following the closure of the CCD business, as at 31 December 2021 all outstanding shares have been transferred to the fellow Group subsidiary, PFG Corporate Services Limited.

(b) Cash-settled schemes

Cash awards were granted under the PFEP to eligible employees to eligible employees that require the Company to pay amounts linked to a combination of salary, financial performance and share price performance of Provident Financial plc. No awards have been granted since 2018. The credit to the income statement in 2021 was £nil (2020: credit £89,000) and the Company has a liability of £nil as at 31 December 2020 (2020: £nil).

24 Related party transactions

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

	2021			2020		
	Management recharge £m	Interest charge £m	Outstanding balance £m	Management recharge £m	Interest charge £m	Outstanding balance £m
Ultimate parent undertaking	-	-	-	(0.1)	20.1	-
Intermediate holding company	-	9.6	(238.8)	-	-	(292.1)
Immediate parent undertaking	64.7	(7.6)	97.4	74.9	(14.2)	131.0
Other subsidiary of the ultimate parent undertaking	1.7	-	(0.5)	4.9	-	7.9
Total	66.4	2.0	(141.9)	79.6	5.9	(153.2)

The outstanding balance represents the gross intercompany balance receivable by/(payable to) the Company, against which a provision of £97.4m (2020: £nil) is held against amounts owed by the immediate parent undertaking, PFMSL, as PFMSL ceased its service provisioning trade at the end of the financial year, is not intended to trade for the foreseeable future, and it is expected PFMSL will be placed into formal wind down proceedings in the near future.

24 Related party transactions (continued)

In December 2020, a new Group holding company, Provident Financial Holdings No.2 Limited (PFH2), was incorporated and the ultimate parent, Provident Financial plc, novated various loans to PFH2 which simplified the intercompany relationships across the Group. As a result of this, revolving loan facilities of £329m have been provided to the Company from PFH2 which will be reviewed every three months. On 3 February 2021, PFH2 was renamed Provident Financial Holdings Limited. The intercompany loans accrue interest linked to the monthly weighted average cost of funds of the ultimate parent plus a margin.

During the year, the Company received collection and debt recovery services from Vanquis Bank Limited, a subsidiary of the ultimate parent undertaking. The Company was charged £1.7m for these services in 2021 (2020: £4.9m).

25 Contingent liabilities

Challenge to self-employed status of UK home credit agents

In July 2017, the Company changed its home-collected credit operating model in the UK from a self-employed agent model to an employed workforce to take direct control of all aspects of the customer relationship.

It is understood from discussions with HMRC that they commenced an industry-wide review of the self-employed status of agents in 2019. The Group's discussions with HMRC, which are focusing on the period from when the FCA took over responsibility for the regulation of consumer credit in April 2014 to the change of operating model in July 2017, have remained in the initial fact-finding stages. The Group has continued to work positively and collaboratively with HMRC but it remains the case that HMRC has reached no decision on the position.

Were the Group to be unsuccessful in defending the historic self-employed position of agents with HMRC, the Company could be liable for additional taxes, including employer's National Insurance contributions, on the commission it paid to agents in the UK for the years concerned. However, the Company does not know the amounts of tax and national insurance contributions paid by agents through self-assessment which are available for offset, and it is therefore difficult to calculate an accurate liability should the Group be unsuccessful in defending the position. HMRC has raised protective assessments on the Company which have been appealed pending the outcome of the review. These are a procedural matter to ensure that, in the event the review concludes that taxes are payable, HMRC can recover such amounts that would otherwise be excluded due to the lapse of statutory time limits.

The Group has worked with HMRC over many years to manage employment status risk and it remains confident, based on advice received, that agents were self-employed as a matter of law throughout their engagement by the Company.

The Company has now completed the managed run-off of its home credit business which has not resulted in a surplus for creditors of the Scheme of Arrangement or more generally and the Company is expected ultimately to be placed into formal wind-down proceedings. Any contingent liabilities in respect of any additional tax liabilities would then be dealt with as part of those proceedings.

26 Reconciliation of loss after taxation to cash used in operations

	Note	2021 £m	2020 £m
Loss after taxation		(184.1)	(124.7)
Adjusted for:			
- tax credit	5	26.1	(27.7)
- finance income	2	(7.6)	(14.2)
- finance costs	3	9.6	20.1
- share-based payment charge	23	0.2	0.4
- depreciation of property, plant and equipment	13	0.2	0.9
- exceptional impairment of property, plant and equipment	13	0.6	-
- profit on disposal of property plant and equipment	13	(0.1)	-
- depreciation of right of use assets	14	0.1	0.1
- exceptional impairment of right of use assets	14	0.1	-
Changes in operating assets and liabilities:			
- amounts receivable from customers		138.9	110.1
- trade and other receivables		140.5	76.5
- trade and other payables		(49.9)	(131.0)
- provisions	20	(75.3)	88.4
Cash used in operations		(0.7)	(1.1)

27 Parent undertaking and controlling party

The immediate parent undertaking is Provident Financial Management Services Limited.

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