Provident Financial plc

INTERIM REPORT 2004

Good relationships – good business

Pam, Amy, Thomas & Denise

FRONT COVER Pam, home credit customer, and daughter Amy with their dog Thomas and agent Denise, Keighley, UK

Contents

Hello and welcome

to a business that knows its customers, knows what they want, and keeps growing by doing the simple things really well...

Key highlights – Interim 2004

+6.3%

Profit before taxation and goodwill amortisation up to £87.2 million

+6.1%

Earnings per share before goodwill amortisation up to 24.28p

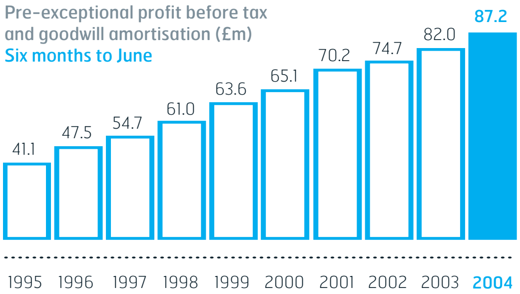
+4.2%

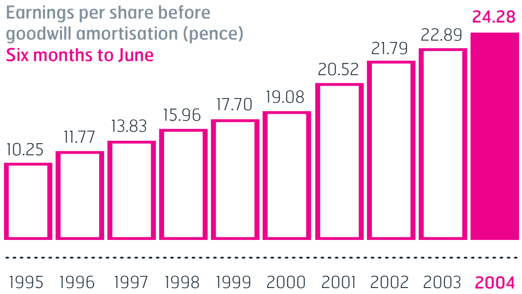
Interim dividend per share up to 13.65p

"We remain confident that the group will deliver a good result for 2004."

John van Kuffeler
Chairman

The group has produced good results for the first six months of 2004 that have benefited from another excellent performance from our international division and better than expected results from the motor insurance division. Profit before tax and the amortisation of goodwill increased by 6.3% to £87.2 million (June 2003 £82.0 million) and earnings per share, before goodwill amortisation, increased by 6.1% from 22.89p to 24.28p. After goodwill amortisation, profit before tax increased by 6.3% to £84.9 million (June 2003 £79.9 million) and earnings per share increased by 6.0% to 23.36p (June 2003 22.04p). An interim dividend of 13.65p per share (June 2003 13.1p) has been declared, an increase of 4.2%.





Operations

International division

In this section, percentage changes in credit issued, collections, turnover and costs are stated on a like-for-like basis that translates foreign currency figures for the first half of 2003 into sterling using the rate of exchange prevailing in the first half of 2004. Percentage changes in profit or loss figures are not currency adjusted and simply compare the sterling figures for each half-year using the rate of exchange prevailing at the time but currency adjusted figures are also given.

The international division continues to grow rapidly. Customer numbers rose by 28% to 1.4 million and credit issued increased by 29% to £189 million. Collections were up by 25% to £252 million and turnover by 28% to £104 million. Profit before tax increased by 77% to £15.4 million (June 2003 £8.7 million). Annualised bad debt as a percentage of credit issued was steady at 10.3%. This is an excellent performance, particularly in the face of adverse exchange rate movements.

Our operation in Poland remains the powerhouse of the international division. It is the largest of our four central European markets and has produced the majority of the increase in the division's profit. Customer numbers increased by 18% to 885,000 and credit issued by 18% to £111 million. Collections increased by 13% to £149 million and turnover by 15% to £63.3 million. Credit quality is stable with annualised bad debt as a percentage of credit issued at 10.6% compared to 10.8% at the end of 2003. Profit before tax increased by 42% (61% currency adjusted) from £11.4 million to £16.1 million.

As expected, the Czech operation delivered more measured growth. Customer numbers increased by 3.9% to 220,000 and credit issued by 2.5% to £32.6 million. Collections and turnover have both benefited from a mix change toward longer term, higher margin loans. Collections increased by 5.1% to £50.4 million and turnover by 4.8% to £19.1 million. Credit quality remains stable with annualised bad debt as a percentage of credit issued at 10.9% compared to 11.0% at the end of last year. Profit before tax increased by 7.4% (14% currency adjusted) from £4.0 to £4.3 million.

Hungary has performed exceptionally well and moved into profit a full year ahead of plan. Customer numbers increased by 132%, rising over a 12 month period from 80,000 to 185,000. Credit issued increased by 135% to £34.2 million, collections by 177% to £40.4 million and turnover by 187% to £17.2 million. Credit quality is good with bad debt as a percentage of credit issued unchanged at 8.0%. Profit before tax for the first half of 2004 was £1.5 million compared to a loss of £1.6 million in the first half of 2003.

Slovakia, the smallest of our central European businesses, has continued to grow strongly but has seen an increase in bad debts to 10.7% of credit issued (June 2003 8.0%). Customer numbers increased by 94% to 75,000, credit issued increased by 71% to £9.5 million, collections increased by 96% to £10.8 million, and turnover increased by 94% to £4.2 million. The loss before tax was £0.9 million (June 2003 £1.0 million).

The pilot operation in Mexico is progressing well and is performing as expected at this stage of its development. Customer numbers have risen from 2,600 at the last year end to 14,000 at the half-year. £1.0 million of credit was issued to customers in the first half of the year. The loss before tax for the first half of the year was on budget at £1.2 million.

UK consumer credit division

Home credit

Customer numbers and credit issued reduced in the UK home credit business in the first half of the year. Whilst we are continuing to work hard to retain and recruit good quality customers, we are operating in a market for small sum credit that is becoming increasingly competitive. In particular, credit card providers are actively targeting lower income customers. Alongside this external factor have been internal actions we have taken to improve this business; eliminating uneconomic customer recruitment activities and closing sub-scale agencies. These actions are delivering cost and bad debt benefits and will continue to do so in the second half of the year. Customer numbers reduced by 5.2% to 1.53 million and credit issued by 4.5% to £373 million (June 2003 £390 million). Collections reduced by 1.9% to £647 million and turnover by 1.5% to £236 million. Overhead costs are under tight control and reduced in the first half by 2.3% to £60.6 million. Bad debts remain stable with the bad debt charge increasing by £1.2 million as compared to the first half of 2003. Profit before tax reduced by 1.7% to £60.1 million (June 2003 £61.2 million).

£87.2m

Group profit before tax and goodwill amortisation increased by 6.3%

+77%

International profit before tax increased to £15.4 million

Yes Car Credit

Yes Car Credit opened two new branches during the first half, increasing the total number of branches to 28. 20,400 cars were sold and financed, an increase of 16% in cars sold and 29% in cars financed. Turnover increased by 20% to £148 million. The business experienced very strong (+38%) year-on-year sales volume growth in the first quarter but saw a 3% year-on-year reduction in the second quarter with a poor performance in June. This slowdown reflected lower levels of customer enquiries, a sales pattern that mirrors statistics for the used car credit market as a whole. Statistics from the Finance and Leasing Association show that in the first quarter of 2004 year-on-year sales increased by 5.8% but in April and May combined fell by 2.6%. Whilst we cannot be certain as to the causes of this change in trend, rises in both interest rates and petrol prices may have reduced customer confidence. Gross profit, after interest payable, rose by 32% to £65.5 million, benefiting from rising interest income from the growing loan book, up by 38% at the half-year to £282 million, and from lower interest payable rates. The bad debt charge as a percentage of average net receivables increased to 17.1% from 15.7% at the end of 2003. Profit before tax increased by 9.4% to £5.0 million (June 2003 £4.5 million).

Vanquis Bank

Vanquis Bank began a market test of Visa branded credit cards in the UK in April 2003 and by the end of last year had built a portfolio of 37,000 cards. The focus for this year is to monitor the development of the card portfolio, in particular credit quality, in order to reach an informed view as to the attractiveness of the business opportunity by the end of the year. The business is progressing as scheduled. Cards in issue at the half-year were 48,000. As expected, the loss before tax for the first half of the year was £4.6 million (June 2003 £3.4 million).

Motor insurance division

Pricing conditions in the motor insurance market have remained competitive. We have continued with our policy of pricing for profit and so have maintained our prices and reduced the scale of our operations. Policyholders decreased by 24% to 514,000; gross written premiums reduced by 23% to £82.2 million and gross earned premiums fell by 26% to £85.6 million. More positively, claims costs have been lower than expected due to a moderation in the costs of personal injury claims and this has improved underwriting profits which rose from 2% to 6% of earned premiums. The investment fund, held to meet future claims costs, reduced by 5% to £440 million and yielded income of £11.9 million (June 2003 £12.3 million). Profit before tax increased by 13% to £16.6 million (June 2003 £14.7 million).

Regulatory

Following publication of the UK Government's White Paper on consumer credit last December, we expect that a Bill proposing legislation to replace the 1974 UK Consumer Credit Act will be announced in the Queen's Speech in November of this year. In the White Paper the government noted that they were not persuaded of the need for a maximum limit on interest rates but that they were conducting research into the impact of such rate ceilings in certain overseas markets. That research has now been published to stakeholders and it shows that interest rate ceilings harm the interests of consumers. This is sometimes an issue in our central European markets. Indeed, unsuccessful rate ceiling proposals have in the past been made by minority parties in Slovakia and Poland and currently a new proposal from a minority party is about to be considered by the Polish parliament. The belief by some observers that rate ceilings are in the interest of consumers is wrong and is rooted in a misconception that APR is a true measure of the cost of credit to the customer. We will continue to explain to opinion formers the customer benefits of home credit and the harm done to consumers by rate ceilings.

As we have previously announced, the National Consumer Council ('NCC') made a super-complaint on the whole UK home credit sector to the Office of Fair Trading ('OFT') on 14 June 2004. We have submitted a full written response to the OFT which makes clear that Provident Financial is a responsible lender operating in an increasingly competitive market with transparent products and a home service which is highly valued by our customers. The OFT is due to announce its findings in September 2004.

+13%

Motor insurance profit before tax increased to £16.6 million

Prospects for 2004

International division

We continue to see excellent prospects for growth in customer numbers, credit issued and profit from our international division. We expect the performance to mirror the trends seen in the first half of the year with Poland continuing to contribute the largest share of the division's growth. Hungary is expected to record a full year profit, a year ahead of plan.

UK consumer credit division

We expect that market conditions for the UK home credit business will remain competitive and that the business will continue to see reductions in its volumes and a small reduction in profits during the second half of the year as compared to the second half of last year.

Yes Car Credit plans to open a further three branches in the second half of the year, taking the branch network from 28 to 31. We expect that these new branches will generate further sales but, following the general slowdown in the used car credit market as a whole in the second quarter of this year, the outlook for the year is harder to predict.

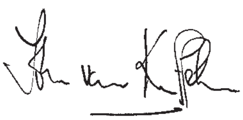
Vanquis Bank will continue its market test of credit card products and we will announce our decision as to how to proceed at the time of the preliminary announcement of the 2004 results early next year. Start-up losses of approximately £9.0 million are budgeted for the full year.

Motor insurance division

We believe that pricing conditions in the motor insurance market will remain competitive and reductions in the number of policyholders and written premiums will continue. However, we expect the benign claims trends seen in the first half to continue, allowing the division to deliver an increased profit for the year.

Group

We remain confident that the group will deliver a good result for 2004.



John van Kuffeler
Chairman
27 July 2004

Consolidated profit and loss account for the half-year to 30 June 2004

	Notes	Unaudited Half-year to 30 June 2004 £m	Unaudited Half-year to 30 June 2003 £m	Audited Full year to 31 Dec 2003 £m
Turnover		566.1	555.1	1,134.2
Profit before taxation and goodwill amortisation		87.2	82.0	206.2
Goodwill amortisation		(2.3)	(2.1)	(4.3)
Profit before taxation		84.9	79.9	201.9
Taxation	3	(25.7)	(24.2)	(60.8)
Profit after taxation		59.2	55.7	141.1
Dividends	4	(34.6)	(33.1)	(83.4)
Retained profit		24.6	22.6	57.7

	Notes	Unaudited Half-year to 30 June 2004 pence	Unaudited Half-year to 30 June 2003 pence	Audited Full year to 31 Dec 2003 pence
Earnings per share				
Basic	5	23.36	22.04	55.84
Adjusted	5	24.28	22.89	57.54
Diluted	5	23.25	21.93	55.68
Dividend per share	4	13.65	13.10	33.00

The results shown in the profit and loss account derive wholly from continuing activities.

There is no material difference between the retained profit as shown above and the historical cost equivalent.

Statement of total recognised gains and losses for the half-year to 30 June 2004

	Unaudited Half-year to 30 June 2004 £m	Unaudited Half-year to 30 June 2003 £m	Audited Full year to 31 Dec 2003 £m
Profit after taxation	59.2	55.7	141.1
Currency translation differences	(1.3)	–	(1.6)
Total recognised gains and losses relating to the period	57.9	55.7	139.5

Segmental analysis of turnover for the half-year to 30 June 2004

	Unaudited Half-year to 30 June 2004 £m	Unaudited Half-year to 30 June 2003 £m	Audited Full year to 31 Dec 2003 £m
UK home credit	235.6	239.2	495.6
Yes Car Credit	148.1	123.3	269.2
Vanquis Bank	2.3	–	1.3
UK consumer credit	386.0	362.5	766.1
International	104.2	90.1	191.4
Motor insurance	75.9	102.5	176.7
	566.1	555.1	1,134.2

Segmental analysis of profit before taxation for the half-year to 30 June 2004

	Unaudited Half-year to 30 June 2004 £m	Unaudited Half-year to 30 June 2003 £m	Audited Full year to 31 Dec 2003 £m
UK home credit	60.1	61.2	152.6
Yes Car Credit	5.0	4.5	11.2
Vanquis Bank	(4.6)	(3.4)	(6.7)
UK consumer credit	60.5	62.3	157.1
International	15.4	8.7	29.3
Motor insurance	16.6	14.7	28.6
Central costs	(5.3)	(3.7)	(8.8)
Profit before taxation and goodwill amortisation	87.2	82.0	206.2
Goodwill amortisation	(2.3)	(2.1)	(4.3)
Profit before taxation	84.9	79.9	201.9

In the second half of 2003, in order to give a clearer view of divisional performance, costs in relation to taxation, treasury and public affairs, which had previously been included in central costs, were recharged to the UK home credit and international divisions. In the six months to 30 June 2004, UK home credit and international have been recharged £3.9 million and £1.4 million respectively for these services. In the six months to 30 June 2003, this recharge would have been £2.4 million to UK home credit and £1.2 million to international division. The results of the six months to 30 June 2003 have been restated to include these recharges.

The international turnover and profit before taxation can be analysed as follows:

	Unaudited Half-year to 30 June 2004 £m	Unaudited Half-year to 30 June 2003 £m	Audited Full year to 31 Dec 2003 £m
Turnover			
Poland	63.3	62.5	127.9
Czech Republic	19.1	19.1	39.4
Hungary	17.2	6.3	18.3
Slovakia	4.2	2.2	5.8
Mexico	0.4	–	–
	104.2	90.1	191.4
Profit/(loss) before taxation			
Poland	16.1	11.4	33.1
Czech Republic	4.3	4.0	8.8
Hungary	1.5	(1.6)	(1.9)
Slovakia	(0.9)	(1.0)	(1.6)
Mexico	(1.2)	–	(1.2)
Central divisional overheads	(4.4)	(4.1)	(7.9)
	15.4	8.7	29.3

Consolidated balance sheet as at 30 June 2004

	Notes	Unaudited As at 30 June 2004 £m	Unaudited As at 30 June 2003 as restated £m	Audited As at 31 Dec 2003 as restated £m
Fixed assets (including goodwill)		138.8	128.9	135.9
Current assets				
Stock		13.7	9.4	14.6
Amounts receivable from customers	6			
– due within one year		846.8	775.2	905.3
– due in more than one year		217.4	162.0	204.1
Debtors		161.8	158.4	153.1
Investments				
– realisable within one year		467.4	525.3	514.5
Cash at bank and in hand		53.7	44.7	38.8
		1,760.8	1,675.0	1,830.4
Current liabilities				
Bank and other borrowings		(17.9)	(15.2)	(19.6)
Creditors – amounts falling due within one year		(201.5)	(167.2)	(220.8)
Insurance accruals and deferred income		(447.3)	(479.5)	(462.9)
		(666.7)	(661.9)	(703.3)
Net current assets		1,094.1	1,013.1	1,127.1
Total assets less current liabilities		1,232.9	1,142.0	1,263.0
Non-current liabilities				
Bank and other borrowings		(741.5)	(706.9)	(799.8)
Creditors – amounts falling due after more than one year		(12.9)	(19.0)	(11.6)
Provision for liabilities and charges – deferred taxation		(2.6)	(1.5)	(2.6)
		(757.0)	(727.4)	(814.0)
Net assets		475.9	414.6	449.0
Capital and reserves				
Called-up share capital		26.4	26.3	26.3
Share premium account		105.1	100.9	101.5
Revaluation reserve		2.7	2.7	2.7
Other reserves		4.4	4.4	4.4
Profit and loss account		337.3	280.3	314.1
Equity shareholders' funds	7	475.9	414.6	449.0

Consolidated cash flow statement for the half-year to 30 June 2004

	Unaudited Half-year to 30 June 2004 £m	Unaudited Half-year to 30 June 2003 £m	Audited Full year to 31 Dec 2003 £m
Net cash inflow from operating activities	101.0	114.6	57.1
Taxation	(23.1)	(22.8)	(45.1)
Capital expenditure and financial investment	(10.8)	(9.0)	(16.7)
Acquisitions and disposals	–	(3.9)	(5.4)
Equity dividends paid	(50.3)	(46.6)	(79.7)
Management of liquid resources	45.6	(21.3)	(13.1)
Financing	(49.9)	(29.3)	87.2
Increase/(decrease) in cash in the period	12.5	(18.3)	(15.7)

The cash flow statement above has been prepared in accordance with FRS1 (Revised 1996) 'Cash Flow Statements'. As required by that standard, the statement aggregates the cash flows arising from each division within the group. However, the cash and investments held by those businesses that are regulated are required to be strictly segregated from the rest of the group and are not available to repay group borrowings.

At 30 June 2004 the cash and investments held by businesses in the group that are regulated amounted to £478 million (30 June 2003 £534 million).

Reconciliation of net cash flow to movement in net debt	Unaudited Half-year to 30 June 2004 £m	Unaudited Half-year to 30 June 2003 £m	Audited Full year to 31 Dec 2003 £m
Increase/(decrease) in cash in the period	12.5	(18.3)	(15.7)
Cash (inflow)/outflow from (decrease)/increase in liquid resources	(45.6)	21.3	13.1
	(33.1)	3.0	(2.6)
Cash outflow/(inflow) from decrease/(increase) in debt	53.6	29.3	(86.6)
Change in net debt resulting from cash flows	20.5	32.3	(89.2)
Exchange adjustments	7.3	(3.1)	4.4
Net debt at beginnning of period	(266.1)	(181.3)	(181.3)
Net debt at end of period	(238.3)	(152.1)	(266.1)

Consolidated cash flow statement for the half-year to 30 June 2004 continued

Analysis of changes in net debt	31 Dec 2003 £m	Cash flows £m	Exchange adjustments £m	30 June 2004 £m
Cash at bank and in hand	38.8	15.2	(0.3)	53.7
Overdrafts	(7.3)	(2.7)	–	(10.0)
	31.5	12.5	(0.3)	43.7
Investments realisable within one year	514.5	(45.6)	(1.5)	467.4
Bank and other borrowings:				
– less than one year	(12.3)	4.3	0.1	(7.9)
– more than one year	(799.8)	49.3	9.0	(741.5)
	(812.1)	53.6	9.1	(749.4)
Net debt	(266.1)	20.5	7.3	(238.3)

Cash, borrowings and overdraft balances shown above at 31 December 2003 and 30 June 2004 agree to the balance sheets at those dates. Investments realisable within one year exclude those current asset investments which are not considered to be liquid resources (being those investments with more than one year to maturity when acquired, but less than one year to maturity at the balance sheet date, other than investments which are traded on an active market).

Reconciliation of profit before taxation to net cash inflow from operating activities	Unaudited Half-year to 30 June 2004 £m	Unaudited Half-year to 30 June 2003 £m	Audited Full year to 31 Dec 2003 £m
Profit before taxation	84.9	79.9	201.9
Depreciation and amortisation	7.5	6.9	14.3
Loss on sale of tangible fixed assets	–	0.1	0.4
Decrease/(increase) in amounts receivable from customers	37.0	29.2	(158.1)
(Increase)/decrease in stock and debtors	(8.7)	13.3	14.3
Decrease in insurance accruals and deferred income	(15.6)	(15.8)	(32.3)
(Decrease)/increase in other creditors	(4.1)	1.0	16.6
Net cash inflow from operating activities	101.0	114.6	57.1

Net cash inflow from operating activities can be analysed as follows:

	Unaudited Half-year to 30 June 2004 £m	Unaudited Half-year to 30 June 2003 £m	Audited Full year to 31 Dec 2003 £m
UK home credit	130.8	129.7	149.1
Yes Car Credit	(21.1)	(28.3)	(79.5)
Vanquis Bank	(9.3)	(2.6)	(13.1)
UK consumer credit	100.4	98.8	56.5
International	5.5	4.3	(11.1)
Motor insurance	3.6	17.9	23.2
Central	(8.5)	(6.4)	(11.5)
	101.0	114.6	57.1

Notes to the financial information

1. The financial information has been prepared on the basis of the accounting policies set out in the group's 2003 statutory accounts except for the first time adoption of UITF 38 'Accounting for ESOP trusts' (see note 7). This financial information does not constitute a set of statutory accounts under s.240 of CA85 and is unaudited. This document (the Interim Report 2004) will be published on the company's website in addition to the normal paper version. The maintenance and integrity of the Provident Financial website is the responsibility of the directors and the work carried out by the auditors does not involve consideration of these matters. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

2. The information relating to the full year ended 31 December 2003 is an extract from the latest published accounts on which the auditors gave an unqualified opinion and which have been delivered to the Registrar of Companies.

3. Taxation

The taxation charge has been calculated by applying the directors' best estimate of the effective tax rate for the year, which is 29.5% (30 June 2003 29.5%), to the profit before goodwill amortisation for the period.

4. Dividends paid and proposed

	Unaudited Half-year to 30 June 2004 £m	Unaudited Half-year to 30 June 2003 £m	Audited Full year to 31 Dec 2003 £m
Interim dividend declared – 13.65p (30 June 2003 13.10p)	34.6	33.1	33.1
Final dividend paid – 19.90p	–	–	50.3
	34.6	33.1	83.4
Dividend cover	1.78	1.74	1.74

5. Earnings per share

The basic and diluted earnings per share figures have been calculated using the profit for the period attributable to ordinary shareholders of £59.2 million (30 June 2003 £55.7 million) and the weighted average number of shares in issue during the period. The adjusted earnings per share figures have been calculated using a profit after tax excluding goodwill amortisation of £61.5 million (30 June 2003 £57.8 million) and the weighted average number of shares in issue during the period.

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

Weighted average number of shares	Unaudited Half-year to 30 June 2004 Number m	Unaudited Half-year to 30 June 2003 Number m	Audited Full year to 31 Dec 2003 Number m
In issue during the period	254.7	254.2	254.3
Held by the QUEST	(1.5)	(1.6)	(1.6)
Used in basic and adjusted earnings per share calculations	253.2	252.6	252.7
Issuable on conversion of outstanding options	1.3	1.3	0.7
Used in diluted earnings per share calculation	254.5	253.9	253.4

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

	Number m
As at 1 January 2004	254.3
Shares issued pursuant to the exercise of options	0.7
As at 30 June 2004	255.0

6. Amounts receivable from customers

(a) Amounts receivable from customers represents:

	Notes	Unaudited As at 30 June 2004 £m	Unaudited As at 30 June 2003 £m	Audited As at 31 Dec 2003 £m
UK home credit	6(b)	550.5	557.3	642.5
International	6(c)	219.2	175.6	207.1
Yes Car Credit	6(d)	282.3	203.9	252.4
Vanquis Bank	6(e)	12.2	0.4	7.4
		1,064.2	937.2	1,109.4
Analysed as:				
– due within one year		846.8	775.2	905.3
– due in more than one year		217.4	162.0	204.1
		1,064.2	937.2	1,109.4

(b) UK home credit receivables

	Unaudited As at 30 June 2004 £m	Unaudited As at 30 June 2003 £m	Audited As at 31 Dec 2003 £m
Gross instalment credit receivables	871.5	878.9	985.3
Less: provision for bad and doubtful debts	(97.0)	(96.0)	(83.7)
Instalment credit receivables after provision for bad and doubtful debts	774.5	782.9	901.6
Less: deferred revenue thereon	(224.0)	(225.6)	(259.1)
	550.5	557.3	642.5
Analysed as:			
– due within one year	542.0	548.6	632.6
– due in more than one year	8.5	8.7	9.9
	550.5	557.3	642.5

(c) International receivables

	Unaudited As at 30 June 2004 £m	Unaudited As at 30 June 2003 £m	Audited As at 31 Dec 2003 £m
Gross instalment credit receivables	369.3	285.3	341.5
Less: provision for bad and doubtful debts	(41.7)	(26.6)	(33.4)
Instalment credit receivables after provision for bad and doubtful debts	327.6	258.7	308.1
Less: deferred revenue thereon	(108.4)	(83.1)	(101.0)
Total – due within one year	219.2	175.6	207.1

6. Amounts receivable from customers continued

(d) Yes Car Credit receivables

	Unaudited As at 30 June 2004 £m	Unaudited As at 30 June 2003 £m	Audited As at 31 Dec 2003 £m
Gross car finance receivables	462.2	334.1	421.4
Less: deferred revenue thereon	(153.3)	(115.9)	(142.9)
	308.9	218.2	278.5
Less: provision for bad and doubtful debts	(26.6)	(14.3)	(26.1)
	282.3	203.9	252.4
Analysed as:			
– due within one year	73.4	50.6	58.2
– due in more than one year	208.9	153.3	194.2
	282.3	203.9	252.4

(e) Vanquis Bank receivables

	Unaudited As at 30 June 2004 £m	Unaudited As at 30 June 2003 £m	Audited As at 31 Dec 2003 £m
Gross credit card receivables	14.2	0.4	8.2
Less: deferred revenue thereon	(0.3)	–	(0.2)
	13.9	0.4	8.0
Less: provision for bad and doubtful debts	(1.7)	–	(0.6)
Total – due within one year	12.2	0.4	7.4

(f) Bad debt charge

	Unaudited As at 30 June 2004 £m	Unaudited As at 30 June 2003 £m	Audited As at 31 Dec 2003 £m
UK home credit	52.4	51.2	88.0
Yes Car Credit	23.1	12.6	33.4
Vanquis Bank	1.8	–	0.7
UK consumer credit	77.3	63.8	122.1
International	22.0	19.9	37.2
Bad debt charge	99.3	83.7	159.3

7. Reconciliation of movement in equity shareholders' funds

	Unaudited Half-year to 30 June 2004 £m	Unaudited Half-year to 30 June 2003 as restated £m	Audited Full year to 31Dec 2003 as restated £m
Profit attributable to equity shareholders	59.2	55.7	141.1
Dividends	(34.6)	(33.1)	(83.4)
Retained profit	24.6	22.6	57.7
New share capital issued	3.7	–	0.6
Movement in respect of own shares	(0.1)	0.1	0.4
Currency translation differences	(1.3)	–	(1.6)
Net addition to equity shareholders' funds	26.9	22.7	57.1
Equity shareholders' funds at beginning of period as reported	449.0	402.7	402.7
Prior period adjustment	–	(10.8)	(10.8)
Equity shareholders' funds at beginning of period as restated	449.0	391.9	391.9
Equity shareholders' funds at end of period	475.9	414.6	449.0

UITF 38 'Accounting for ESOP trusts' has been adopted for the first time in this interim report. As a result, shares in Provident Financial plc held by the QUEST, a discretionary trust established for the benefit of the employees of the group, have been reclassified from fixed asset investments to the profit and loss reserve within equity shareholders' funds. This change has been accounted for as a prior period adjustment and previously reported figures have been restated accordingly. This has resulted in a decrease in equity shareholders' funds at 30 June 2004 of £10.5 million (30 June 2003 and 31 December 2003 of £10.7 million and £10.4 million respectively). The prior period adjustment has had no impact on the performance statements of the current period or previous periods.

8. Exchange rates

The exchange rates used to retranslate the results and net assets of overseas operations which have currencies of operation other than sterling are as follows:

	Exchange rate against sterling		
	Half-year to 30 June 2004	Half-year to 30 June 2003	Full year to 31 Dec 2003
Average exchange rate during period			
Polish zloty	7.03	6.21	6.34
Czech crown	48.12	45.81	45.91
Hungarian forint	378.50	357.89	366.80
Slovak crown	59.84	59.98	59.56
Mexican peso	20.47	–	19.12
Closing rate at period end			
Polish zloty	6.94	6.26	6.66
Czech crown	47.58	44.41	45.83
Hungarian forint	382.53	371.85	372.65
Slovak crown	60.20	58.63	58.33
Mexican peso	20.65	17.76	19.66

9. FRS 17 Retirement benefits

The company has adopted the transitional arrangements under FRS 17 and continues to account for pension costs under SSAP 24. If FRS17 had been adopted in full in the half-year to 30 June 2004, earnings would have been reduced by approximately £1 million and net assets at 30 June 2004 by £88 million. The company intends to make additional cash contributions to the two major defined benefit pension schemes in the UK of £15 million during 2004. Following the triennial formal actuarial valuations of the pension schemes in June 2004, it is expected that the SSAP 24 pension cost for the second half of 2004 will be approximately £3 million higher than the SSAP 24 pension cost for the first half of the year.

Independent review report to Provident Financial plc

Introduction

We have been instructed by the company to review the financial information which comprises the consolidated profit and loss account, statement of total recognised gains and losses, consolidated balance sheet, consolidated cash flow statement and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for, and only for, the company for the purposes of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
27 July 2004

Information for shareholders

1. The shares will be marked ex-dividend on 15 September 2004.

2. The interim dividend will be paid on 15 October 2004 to shareholders on the register at the close of business on 17 September 2004.

3. Dividend warrants/vouchers will be posted on 13 October 2004.

4. The interim report will be posted to shareholders on 13 August 2004.

5. The Provident Financial Company Nominee Scheme ("the scheme") enables shareholders who are eligible, namely individuals, to take advantage of the CREST system for settling transactions in shares in the company by means of a low-cost dealing service. It includes a dividend reinvestment scheme for those who wish to use this facility. Shareholders who wish to take advantage of the scheme should contact the company's registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (telephone: 0870 162 3100) to request an information pack. The registrar's website is www.capitaregistrars.com.

Directors

Executive directors

Robin Ashton
Chief Executive

John Harnett
Finance Director

Chris Johnstone
Managing Director, UK consumer credit

David Swann
Managing Director, international

Non-executive directors

John van Kuffeler
Chairman

Charles Gregson
Deputy Chairman and senior independent non-executive director

John Maxwell
Chairman of the remuneration committee

Ray Miles
Chairman of the risk advisory committee

Graham Pimlott
Chairman of the audit committee

Paper specification
One of Provident Financial's environmental objectives is to use paper as efficiently as possible. This report is produced on material which comprises 50% TCF (totally chlorine free) pulp from sustainable forests and 50% recycled and de-inked pulp from pre- and post-consumer waste.

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