PROVIDENT INVESTMENTS LIMITED
(Company Number 04541509)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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PROVIDENT INVESTMENTS LIMITED
(Company Number 04541509)

DIRECTORS' REPORT

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

Principal activities

The principal activity of the company was to provide finance and loans through private placement loan notes to Provident Financial plc and its subsidiary companies. The loans were repaid in 2014. The company generates income on the intercompany loan issued to its parent undertaking, Provident Financial plc

Results, review of business and going concern

The income statement for the year is set out on page 4. The profit for the year of £1,000 (2019: £1,000) has been added to reserves.

The directors expect that the business will continue in existence for a period of at least twelve months from the date of approval of the financial statements and the company will be able to meet its liabilities as they fall due. Accordingly, the financial statements of the company have been prepared on a going concern basis.

Exemption from preparing a strategic report

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

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2020 (2019: £nil).

Directors

The directors of the company at 31 December 2020 and up to the date of signing of this report, except where stated, were:

S G Thomas (resigned 31 March 2020)
C Davies
N Kapur (appointed 01 April 2020)

Principal risks and uncertainties and financial risk management

The company participates in the group-wide 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.

Post balance sheet events

Post balance sheet events have been disclosed in note 13 of the accounts.

Key performance indicators (KPIs)

The company solely operated to provide finance to fund the group. All loan notes were repaid in 2014. For this reason, the company's directors believe that analysis using key performance indicators for the statutory company is not necessary or appropriate for an understanding of the development, performance or position of the company. The development, performance and position of the group as a whole, including the company, is set out in the annual report and financial statements of Provident Financial plc.

DIRECTOR'S REPORT (CONTINUED)

Employee involvement

The company does not have any employees.

Auditor information

The directors of the company have taken advantage of the exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies for the year ended 31 December 2020.

BY ORDER OF THE BOARD

C Davies
Director
Bradford
15 September 2021

PROVIDENT INVESTMENTS LIMITED
(Company Number 04541509)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that the directors:

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

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

PROVIDENT INVESTMENTS LIMITED
(Company Number 04541509)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2020 £'000	2019 £'000
Revenue	1	1	3
Administrative costs		-	(2)
Profit before taxation	2	1	1
Tax charge	3	-	-
Profit and total comprehensive income for the year		1	1

All of the above operations relate to continuing operations.

BALANCE SHEET

As at 31 December	Note	2020 £'000	2019 £'000
ASSETS			
Cash and balances at central banks	7	1	1
Trade and other receivables	5	371	370
Current tax assets		2	2
Deferred tax asset	6	-	2
TOTAL ASSETS		**374**	**375**
LIABILITIES AND EQUITY			
Trade and other payables	8	-	(2)
Total liabilities		-	(2)
Equity attributable to owners of the parent			
Share capital	9	(50)	(50)
Retained profits		(324)	(323)
Total Equity		(374)	(373)
TOTAL EQUITY		**(374)**	**(375)**

The company is entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies for the year ended 31 December 2020.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

The financial statements on pages 4 to 14 were approved and authorised for issue by the board of directors on 15 September 2021 and were signed on its behalf by:

C Davies

Director

PROVIDENT INVESTMENTS LIMITED
(Company Number 04541509)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
At 1 January 2019	50	322	372
Profit and total comprehensive income for the year	-	1	1
At 31 December 2019	50	323	373
At 1 January 2020	50	323	373
Profit and total comprehensive income for the year	-	1	1
At 31 December 2020	50	324	374

STATEMENT OF CASH FLOWS

There have been no changes to the company's cash and cash equivalents in 2020 and 2019. A statement of cash flows is therefore not presented.

PROVIDENT INVESTMENTS LIMITED
Company Number 04541509)

STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the company operates.

Going Concern
In assessing whether the company is a going concern, the directors have therefore considered the ability of the group to continue as a going concern due to the intercompany funding provided by the ultimate parent company Provident Financial plc. The directors of the group have reviewed the group's reforecast, as approved in May 2021, which includes capital and liquidity forecasts, on detailed projections for 2021 to 2023. This assessment has included consideration of the group's principal risks and uncertainties, focusing on capital and liquidity, and the likelihood of these risks materialising into losses.

Given the uncertain outlook as a result of Covid-19, additional stress testing has been performed through modelling a range of macroeconomic scenarios. This initially assumes a severe but plausible downturn, with 'severe' being defined consistently with the group's IFRS 9 'severe' macroeconomic weighting. This assumes that unemployment in the UK reaches a peak unemployment rate of 12%. The group's Total Capital Requirement (TCR) was exceeded in all scenarios modelled both with and without management actions. The point of non-viability has been assessed for both the group and Vanquis Bank which would need to materialise to prevent the directors from adopting the going concern assumption. This is materially higher than any economic forecasts. The group's reforecast does not require market access for capital or liquidity during the going concern period.

Based on this review, the directors are satisfied that the group has the required resources to continue in business for a period of at least twelve months following the approval of the company accounts. In addition, due to the company's net liability position at the year end, the immediate and ultimate parent undertaking, Provident Financial plc, has confirmed its continued support for the company for a period of at least twelve months from the date of approval of the financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the company accounts.

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

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2020 that have had a material impact on the company.

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

Revenue
Revenue comprises interest income earned from the parent company on intercompany loans.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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

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.

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

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

Deferred tax is determined using tax rates (and laws) that have been enacted or 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, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the future.

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

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

Key assumptions and estimates
In applying the accounting policies set out above, there are no significant estimates or assumptions that affect the reported amounts of assets and liabilities.

FINANCIAL AND CAPITAL RISK MANAGEMENT REPORT

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

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

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

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

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

(a) Credit risk

Credit risk is the risk that the company will suffer loss in the event of a default by a bank counterparty. A default occurs when the bank fails to honour repayments as they fall due. The company's maximum exposure to credit risk on bank counterparties as at 31 December 2020 was £1,000 (2019: £1,000).

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

(b) Liquidity risk

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

Liquidity risk is managed by the group's centralised treasury department through daily monitoring of expected cash flows in accordance with a board approved group funding and liquidity policy. This process is monitored regularly by the group treasury committee.

The group's funding and liquidity policy is designed to ensure that the group is able to continue to fund the growth of the business. The group therefore maintains headroom on its committed borrowing facilities to fund growth and contractual maturities for at least the following 12 months. As at 31 December 2020, the group's committed borrowing facilities had a weighted average period to maturity of 1.5 years (2019: 2.2 years) and the headroom on these committed facilities amounted to £79.3m (2019: £69.1m).

The group is less exposed than other mainstream lenders to liquidity risk as the loans issued by the home credit business are of short-term duration (typically around one year), whereas the group's borrowings extend over a number of years. The group's current funding strategy seeks to maintain a secure funding structure by maintaining committed facilities to pre-fund the group's liquidity and funding requirements for at least the next 12 months, maintaining access to four main sources of funding comprising: (i) the syndicated revolving bank facility; (ii) external market funding; (iii) securitisation; and (iv) retail deposits. Headroom on the group's committed debt facilities together with available cash was £143.7m at 31 December 2020 together with ongoing access to the retail deposits programme in Vanquis Bank. There are no contractual maturities of the group's facilities until a scheduled maturity of a £65m bond in September 2021

(c) Capital risk

Capital risk is managed by the group's centralised treasury department. The group manages capital risk by focusing on capital efficiency and effective risk management. This aims to maintain sufficient, but not excessive, financial strength and optimise the debt to equity structure of the group. A more detailed explanation of the management of capital risk can be found in the annual report and financial statements of Provident Financial plc.

1 Revenue

	2020	2019
	£'000	£'000
Interest income from parent undertaking	1	3

2 Profit before taxation

Profit before taxation is stated after charging:

	2020	2019
	£'000	£'000
Auditor's remuneration:		
- fees payable to the company's auditor for the audit of the financial statements	-	2

The company has no employees. The emoluments of the directors for services to the company during 2020 were £nil (2019: £nil). The emoluments of the directors are borne by another subsidiary and it is not possible to make an accurate allocation in relation to these services to the company.

3 Tax charge

	2020	2019
Tax charge in the income statement	£'000	£'000
Current tax	(2)	(2)
Deferred tax (note 6)	2	2
Total tax credit	-	-

The rate of tax credited on the loss before taxation for the year is in line with (2019: in line with) the average standard rate of corporation tax in the UK of 19% (2019: 19%).

4 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:

	2020		
	Amortised cost	Non-financial assets/ liabilities	Total
	£'000	£'000	£'000
Assets			
Cash and cash equivalents	1	-	1
Trade and other receivables	371	-	371
Current tax assets	-	2	2
Total assets	372	2	374

	2019		
	Amortised cost	Non-financial assets/ liabilities	Total
	£'000	£'000	£'000
Assets			
Cash and cash equivalents	1	-	1
Trade and other receivables	370	-	370
Current tax assets	-	2	2
Deferred tax assets	-	2	2
Total assets	371	4	375
Liabilities			
Trade and other payables	(2)	-	(2)
Total liabilities	(2)	-	(2)

5 Trade and other receivables

	2020	2019
Current assets	£'000	£'000
Amounts owed by parent undertaking	369	368
Amounts owed by fellow subsidiary undertakings	2	2
Total	371	370

There are no amounts past due in respect of trade and other receivables due in less than one year (2019: £nil).

Amounts owed by the parent and fellow subsidiary undertakings are unsecured, repayable on demand and generally accrue interest at rates linked to the Bank of England base rate.

6 Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method. During 2015, reductions in corporation tax rates were enacted, reducing the corporation tax rate from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effect from 1 April 2020. During 2016, a further change was enacted which further reduced the corporation tax rate from 18% to 17% with effect from 1 April 2020. In 2020, the reduction in the mainstream corporation tax rate to 17% was cancelled and the rate has remained at 19 for 2020.

Deferred tax balances at 31 December 2019 were measured at 17% on the basis that the temporary differences on which the deferred tax has been calculated were expected to reverse after 1 April 2020. During 2020, these deferred tax balances have been re-measured at 19% and movements in the deferred tax balances have been measured at the statutory corporation tax rate for the year of 19% (2019:19%). A tax charge in 2020 of £nil (2019: £nil) represents the income statement adjustment to deferred tax as a result of these changes.

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

	2020	2019
Asset	£'000	£'000
At 1 January	2	4
Charge to the income statement (note 3)	(2)	(2)
At 31 December	-	2

7 Cash and cash equivalents

	2020	2019
	£'000	£'000
Cash at bank and in hand	1	1

All amounts above are denoted in sterling.

Cash and cash equivalents are non-interest bearing (2019: non-interest bearing).

8 Trade and other payables

	2020	2019
Current liabilities	£'000	£'000
Other payables	-	2

9 Share capital

Issued and fully paid		2020	2019
Ordinary shares of £1 each	- £'000	50	50
	- number ('000)	50	50

There are no shares issued and not fully paid at the end of the year (2019: no shares).

10 Related party transactions

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

	Interest credit		Outstanding balance	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Interest income from parent undertaking	1	3	-	-
Outstanding receivable from parent undertaking	-	-	369	368
Outstanding receivable from fellow subsidiary undertakings	-	-	2	2

11 Contingent liabilities

The company was removed as a guarantor in respect of (i) borrowings made by the company's ultimate parent undertaking; and (ii) guarantees given by the company's ultimate parent undertaking in respect of borrowings of certain of its subsidiaries on 12 March 2021.

12 Parent undertaking and controlling party

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

13 Post balance sheet events

Change in corporation tax rate

In the March 2021 Budget, the Government announced that the mainstream corporation tax rate would increase to 25% from 1 April 2023. Revaluing the deferred tax balances at 31 December 2020 at the mainstream corporation tax rate of 25% to the extent they relate to temporary differences which are expected to reverse after 1 April 2023, is not expected to give rise to a material tax impact.