Provident Financial plc

Interim Report 2008

Our new approach

Contents

The highlights

Customer numbers[1]
2.0m
up 10.5%

Earnings per share (EPS) from continuing operations
28.2p
up 27.6%[2]

Profit before tax from continuing operations
£51.3m
up 34.3%

Interim dividend per share
25.4p

[1] Consumer Credit Division and Vanquis Bank
[2] Growth rate based on adjusted EPS (see note 7 on pages 16 and 17)

Group

- Profit before tax from continuing operations up strongly by 34.3% to £51.3m (2007: £38.2m)
- Adjusted EPS up 27.6% to 28.2p (2007: 22.1p)
- Headroom on committed funding facilities of over £380m, with no scheduled maturities until March 2010

Consumer Credit Division

- Continued growth in customer numbers, up by 7.0% from June 2007
- Stable impairment levels throughout the first half of 2008
- Real Personal Finance market test progressing well
- Divisional profit before tax up 6.8% to £50.2m (2007: £47.0m)
- Roll-out of Focus, the new core processing system, and the new agent commission system ahead of plan

Vanquis Bank

- Profit before tax of £3.0m in the first half of 2008, compared to a loss before tax of £4.2m in the first half of 2007
- Stable impairment levels throughout the first half of 2008
- Average net receivables up 50.3% from June 2007 reflecting 29.4% growth in customer numbers
- Underwriting and credit line increase criteria tightened four times in the last twelve months
- Move to expanded call centre facility on track for completion in late summer

high quality

Growth in customer numbers and profits

John van Kuffeler, Chairman

GROUP RESULTS

The group has delivered strong results for the first half of 2008. Growth in both customer numbers and in profits has been achieved whilst maintaining a stable arrears profile and adopting an increasingly cautious approach to the granting of new credit to customers, who are experiencing ongoing pressure on their incomes from the rise in food, fuel and utility bills.

Profit before tax from continuing operations was up 34.3% to £51.3m (2007: £38.2m) and adjusted earnings per share was up 27.6% to 28.2p (2007: 22.1p).

The group's funding and liquidity positions remain strong, with its balance sheet showing modest gearing in comparison to its bank covenants and a significant surplus of regulatory capital. Undrawn committed bank facilities of over £380m, with no scheduled maturities until March 2010, are ample for the group to execute in full its internal growth plans.

The interim dividend is maintained at 25.4p per share (2007: 25.4p) reflecting the company's policy set out at the time of the demerger to at least maintain a full year payment of 63.5p per share whilst moving to a target payout ratio of 80% of post-tax profit in the medium term.

MARKET CONDITIONS

The pressure from price inflation on UK households with below average incomes, which has been present for over two years, has continued during 2008 and remains the most important influence on lending decisions. The level of indebtedness amongst the non-standard consumers served by the group's businesses remains relatively low because they have limited access to other forms of credit and the vast majority do not have mortgages. Consequently, the impact of interest rate rises on customers' disposable incomes is limited. The modest rise in UK unemployment in recent months had no discernible impact on the group's customer base during the first half of the year. However, inflationary pressures and the outlook for unemployment have had a strong influence on the cautious stance taken by management over the past year in extending new credit to customers.

Mainstream credit providers continue to tighten their lending criteria reflecting the prospects of a worsening economic environment and, in some cases, to manage their own liquidity constraints. The past year has also seen a number of near-prime and non-standard unsecured lenders and credit card issuers heavily constrain their lending or withdraw from the market. These are favourable market conditions for Provident Financial which, when combined with the effectiveness of the group's marketing strategies and its strong capital base, is resulting in a significant increase in the flow of applications for the group's credit products. However, volumes of new business written have been consistently moderated by management through greater selectivity and tighter underwriting, which has demonstrably benefited the arrears profile in both of the group's main businesses.

Profit before tax from continuing operations

	Six months ended 30 June		
	2008 £m	2007 £m	Change £m
Consumer Credit Division	50.2	47.0	3.2
Vanquis Bank	3.0	(4.2)	7.2
Yes Car Credit	(1.0)	(1.2)	0.2
	52.2	41.6	10.6
Central:			
– costs	(2.7)	(4.5)	1.8
– interest receivable	1.8	1.1	0.7
Total central	(0.9)	(3.4)	2.5
Total continuing operations	51.3	38.2	13.1

up 34·3% on last year

CONSUMER CREDIT DIVISION

The Home Credit business has seen continued growth in customer numbers for two years. A significant element of this growth has resulted from the investment in marketing through new channels such as the internet and direct mail over this period, although favourable market conditions have also led to additional growth in the level of customer applications more recently. Customer numbers grew by 7.0% over the 12 months to the end of June 2008. The growth in the number of good quality, re-servable customers during the second half of 2007, together with the new customer growth during the first half of the current year have combined to produce revenue and receivables growth of 11.0% and 9.4% respectively.

Growth in customer numbers is being deliberately moderated in order to reinforce credit quality and ensure that there is an appropriate balance between sales growth and the collections capacity of the agent force. Agents are taking a cautious approach in assessing affordability in the light of the adverse impact of price inflation on customers' disposable incomes, supported by the credit application and behavioural scoring systems in which the business has invested over the last two years. A good collections performance throughout the first half of the year produced an annualised impairment charge of 30.4% of revenue, an improvement over the same period last year.

The roll-out of the new core accounting and processing system, known as Focus, is progressing ahead of plan and is currently implemented across approximately 80% of the branch network. Focus provides the platform for a series of business improvement initiatives, including the new commission scheme for agents, which is also now being rolled out following the successful conclusion of the field trials in May.

The market test of Real Personal Finance continues to perform well, with around two-thirds of its customers having had a previous relationship with the Home Credit business. Early business metrics, including credit quality, are encouraging. Real Personal Finance is currently operating in 50 locations. A decision on the pace and scale of a national roll-out is to be taken during the third quarter of the year and is likely to commence in early 2009.

Costs rose by 11.5% compared to the prior year, marginally ahead of revenue growth. This represents higher agents' commission and field staff costs due to a strong collections and business performance, together with planned costs associated with the new Focus platform and the market test of Real Personal Finance.

The Consumer Credit Division generated profit before tax of £50.2m in the first half of 2008, up 6.8% on 2007.

Consumer Credit Division income statement

		Six months ended 30 June	
	2008 £m	2007 £m	Change %
Customer numbers ('000)	1,661	1,553	7.0
Average customer receivables	689.5	630.0	9.4
Revenue	324.0	292.0	11.0
Impairment	(121.2)	(107.4)	(12.8)
Revenue less impairment	202.8	184.6	9.9
*Impairment % revenue**	*30.4%*	*31.0%*	
Costs	(134.3)	(120.4)	(11.5)
Interest	(18.3)	(17.2)	(6.4)
Profit before tax	50.2	47.0	6.8

record number of customers

* Impairment as a proportion of revenue for the 12 months ended 30 June.

VANQUIS BANK

Vanquis Bank is experiencing an increasingly strong flow of applications from both the internet and direct mail channels. Customer numbers stood at 374,000 at the end of June, up from 316,000 since the year end and showing year-on-year growth of 29.4%. Average net receivables over the six months to June 2008 were £162.0m, up by 50.3% from June 2007, representing both the growth in customer numbers and credit line increases to existing customers who have established a sound payment history. The growth in receivables, together with the re-pricing of the book early in 2007 and ongoing measures to increase the yield on the book, produced revenue growth of 54.3%.

Vanquis Bank is delivering strong growth whilst, at the same time, adopting an increasingly cautious approach to both accepting new business and increasing existing customers' credit lines. Credit criteria have been tightened on four occasions since last summer. Over 70% of new card applications are being declined, and the granting of credit line increases to customers has become significantly more selective. As a result, the credit quality and the arrears profile have improved compared with 12 months ago and have been very stable through the first half of 2008. Annualised impairment as a percentage of revenue reduced to 36.8%, compared with 50.1% a year ago and 39.7% at the end of 2007. At this level, it is in line with the planned on-going level for the business and provides the confidence to pursue growth of the right quality in what has become an underserved market.

Successful partnerships are being developed with several mainstream card issuers, whose declined internet applications are offered a link to Vanquis Bank's own website. There are also active discussions taking place with a number of other major card issuers to explore similar arrangements. In due course, it is likely that these relationships will become an important source of profitable new business.

The transition to new premises for Vanquis Bank's call centre in Chatham is progressing well. The new facility will provide the capability to serve up to 750,000 accounts when fully staffed. At the same time, the business is taking the opportunity to upgrade its IT capability to accommodate future growth. These infrastructure changes will be completed later this summer.

Costs increased by 15.7%, significantly less than revenue growth as the business continues to benefit from further increases in scale. Costs in the second half of the year will reflect the move to the new Chatham facility, but the increase will continue to trail revenue growth.

Profit before tax in the first half of 2008 was £3.0m, compared to a loss before tax of £4.2m in the first half of 2007.

Vanquis Bank income statement

	Six months ended 30 June		
	2008 £m	2007 £m	Change %
Customer numbers ('000)	374	289	29.4
Average customer receivables	162.0	107.8	50.3
Revenue	42.9	27.8	54.3
Impairment	(16.5)	(12.8)	(28.9)
Revenue less impairment	26.4	15.0	76.0
*Impairment % revenue**	*36.8%*	*50.1%*	
Costs	(19.2)	(16.6)	(15.7)
Interest	(4.2)	(2.6)	(61.5)
Profit/(loss) before tax	3.0	(4.2)	n/a

up £7.2m on last year

* Impairment as a proportion of revenue for the 12 months ended 30 June.

YES CAR CREDIT

The collect-out of the Yes Car Credit receivables continues to progress well. At the half-year the receivables book stands at £16.3m, down from £33.3m at the end of 2007. The business incurred a loss before tax of £1.0m in the first half of 2008 (2007: loss of £1.2m) and, as previously indicated, the full year loss in 2008 is expected to be in the region of £3.0m. A similar loss is expected in 2009 with full collect-out of the receivables book and the closure of the collections operation expected towards the end of that year.

CENTRAL COSTS

Central costs in the first half of the year were £1.8m lower than in 2007 as expected following the demerger of International Personal Finance plc. Central interest receivable was £1.8m (2007: £1.1m), in part reflecting the surplus capital currently held by the group. Overall total central costs, after central interest receivable, were £0.9m (2007: £3.4m).

TAXATION

The tax rate for the first half of 2008 of 28.5% (2007: 30.1%) is the estimated tax rate for the 2008 financial year and is consistent with the UK corporation tax rate which reduced to 28% in April 2008.

BALANCE SHEET

Net assets as at 30 June 2008 were £280.3m. The level of gearing (calculated to exclude the pension scheme asset and the fair value of derivatives, as required under our funding facilities) stood at 2.9 times, compared to the relevant borrowings covenant of 6.0 times. The reported level of capital adequacy stood at 457% of the Pillar I requirement, comfortably in excess of the Interim Internal Capital Guidance set by the FSA.

FUNDING AND CAPITAL

The group remains strongly funded with around £70m of excess equity capital against its target capital structure and over £380m of undrawn committed debt facilities. There are no scheduled maturities until March 2010 and the group is therefore able to execute in full its internal plans, as well as being able to capitalise on current favourable market conditions.

SUMMARY AND OUTLOOK

Our decision to be increasingly cautious in our approach to granting new credit over the last 12 months has resulted in the group's businesses delivering high-quality customer and profit growth. The group's strong funding position leaves it well placed to continue doing so through the second half of 2008.

PRINCIPAL RISKS AND UNCERTAINTIES

A full assessment of the principal risks and uncertainties facing the group, together with the controls and processes which are in place to monitor and mitigate those risks where possible, are set out on pages 48 to 51 and 73 to 75 of the 2007 Annual Report and Financial Statements, which is available on the company's website, www.providentfinancial.com. The principal risks and uncertainties for the remaining six months of the financial year are discussed below.

Credit risk

The current external economic conditions of rising food, fuel and utility prices may create pressure on customers' disposable incomes. In addition, there is the risk of rising unemployment in the UK. These conditions present the risk of increased impairment charges for lenders throughout the financial services sector. The group's two primary businesses, Home Credit and Vanquis Bank, are well placed to manage impairment through challenging economic conditions and mitigate the potential risk.

Operational risk

The Consumer Credit Division is in the process of a significant change programme which in 2008 includes rolling out its new core accounts processing system, Focus, and introducing a new commission scheme for agents. As with all projects of this nature, there is a potential risk that there is an adverse effect on business processes or trading performance. The risk has been mitigated by assigning responsibility to a formal project committee, applying a rigorous testing programme in a small number of locations prior to evaluating the project and then adopting a phased roll-out process to minimise potential disruption. To date, the roll-out of the Focus field system and the introduction of the new commission scheme are progressing well.

RELATED PARTY TRANSACTIONS

There have been no changes in the nature of related party transactions as described in note 31 to the 2007 Annual Report and Financial Statements and there have been no new related party transactions which have had a material effect on the financial position or performance of the group in the six months ended 30 June 3008.

Consolidated income statement

	Notes	Six months ended 30 June 2008 £m	2007 £m
Continuing operations			
Revenue	4	370.1	329.8
Finance costs		(22.6)	(21.1)
Operating costs		(204.4)	(192.1)
Administrative expenses		(91.8)	(78.4)
Total costs		(318.8)	(291.6)
Profit before taxation	4	51.3	38.2
Tax charge	5	(14.6)	(11.5)
Profit after taxation for the period from continuing operations		36.7	26.7
Discontinued operations			
Profit after taxation for the period from discontinued operations	6	–	78.0
Profit for the period attributable to equity shareholders	11	36.7	104.7

	Notes	Six months ended 30 June 2008 Pence	2007 Pence
Earnings per share from continuing operations			
Basic	7	28.2	10.4
Diluted	7	28.1	10.3
Earnings per share attributable to equity shareholders			
Basic	7	28.2	40.9
Diluted	7	28.1	40.6
Dividends per share			
Proposed interim dividend	8	25.4	25.4
Paid in the period*	8	38.1	22.0

* The total cost of dividends paid in the period was £50.0m (six months ended 30 June 2007: £56.4m)

Consolidated statement of recognised income and expense

	Notes	Six months ended 30 June 2008 £m	2007 £m
Profit for the period attributable to equity shareholders	11	36.7	104.7
Cash flow hedges:			
– net fair value gains		11.2	1.9
– recycled and reported in profit for the period		–	2.8
Actuarial (losses)/gains on retirement benefit asset	10	(6.5)	51.4
Tax charge on items taken directly to equity		(1.3)	(16.8)
Net income recognised directly in equity	11	3.4	39.3
Total recognised income for the period attributable to equity shareholders	11	40.1	144.0

Consolidated balance sheet

	Notes	30 June 2008 £m	31 December 2007 £m	30 June 2007 £m
ASSETS				
Non-current assets				
Goodwill		3.1	3.1	3.1
Other intangible assets		13.8	12.6	26.4
Property, plant and equipment		30.5	28.7	57.2
Financial assets:				
– amounts receivable from customers	9	58.2	71.8	93.0
– derivative financial instruments		7.6	–	1.0
Retirement benefit asset	10	57.9	61.5	68.6
Deferred tax assets		10.0	11.4	41.6
		181.1	189.1	290.9
Current assets				
Financial assets:				
– amounts receivable from customers	9	837.3	853.6	1,061.2
– derivative financial instruments		–	0.7	1.9
– cash and cash equivalents		23.0	23.4	69.9
Trade and other receivables		16.1	19.9	30.1
		876.4	897.6	1,163.1
Total assets		1,057.5	1,086.7	1,454.0
LIABILITIES				
Current liabilities				
Financial liabilities:				
– bank and other borrowings		(10.1)	(41.0)	(165.8)
– derivative financial instruments		(0.2)	(12.5)	(13.6)
Trade and other payables		(51.4)	(70.1)	(92.8)
Current tax liabilities		(30.2)	(29.9)	(31.3)
Provisions		(0.8)	(0.8)	(1.3)
		(92.7)	(154.3)	(304.8)
Non-current liabilities				
Financial liabilities:				
– bank and other borrowings		(644.4)	(592.7)	(639.4)
– derivative financial instruments		(19.6)	(24.3)	(28.6)
Provisions		(1.8)	(2.0)	–
Deferred tax liabilities		(18.7)	(17.5)	(30.4)
		(684.5)	(636.5)	(698.4)
Total liabilities		(777.2)	(790.8)	(1,003.2)
NET ASSETS	4	280.3	295.9	450.8
SHAREHOLDERS' EQUITY				
Called-up share capital	11	27.2	27.2	26.7
Share premium account	11	133.0	132.7	117.6
Other reserves	11	2.2	0.1	10.4
Retained earnings	11	117.9	135.9	296.1
TOTAL EQUITY	11	280.3	295.9	450.8

Consolidated cash flow statement

	Notes	Six months ended 30 June 2008 £m	Six months ended 30 June 2007 £m
Cash flows from continuing operations			
Cash generated from operations		96.5	159.9
Finance costs paid		(25.8)	(27.7)
Tax paid		(13.0)	(2.0)
Net cash generated from continuing operating activities		57.7	130.2
Net cash used in discontinued operating activities	6	–	(34.3)
Net cash generated from operating activities		57.7	95.9
Cash flows from investing activities in continuing operations			
Purchases of property, plant and equipment		(5.7)	(1.0)
Proceeds from disposal of property, plant and equipment		0.3	0.2
Purchases of intangible assets		(1.6)	(3.8)
Net cash used in investing activities in continuing operations		(7.0)	(4.6)
Net cash used in investing activities in discontinued operations	6	–	(199.0)
Net cash used in investing activities		(7.0)	(203.6)
Cash flows from financing activities in continuing operations			
Proceeds from borrowings		60.7	12.5
Repayment of borrowings		(54.7)	(100.2)
Dividends paid to company shareholders	8	(50.0)	(56.4)
Proceeds from issue of share capital		0.3	7.0
Purchases of own shares	11	(8.7)	–
Proceeds from vesting of shares	11	–	0.4
Net cash used in financing activities in continuing operations		(52.4)	(136.7)
Net cash used in financing activities in discontinued operations	6	–	(126.9)
Net cash used in financing activities		(52.4)	(263.6)
Net decrease in cash and cash equivalents in continuing operations		(1.7)	(11.1)
Net decrease in cash and cash equivalents in discontinued operations	6	–	(360.2)
Net decrease in cash and cash equivalents		(1.7)	(371.3)
Cash and cash equivalents at beginning of period		14.6	431.6
Exchange losses on cash and cash equivalents – discontinued operations		–	(0.1)
Cash and cash equivalents at end of period		12.9	60.2
Cash and cash equivalents at end of period comprise:			
Cash at bank and in hand		23.0	47.9
Short-term deposits		–	22.0
Cash and cash equivalents		23.0	69.9
Overdrafts (held in bank and other borrowings)		(10.1)	(9.7)
Total cash and cash equivalents		12.9	60.2

Consolidated cash flow statement *continued*

	Six months ended 30 June	
	2008 £m	2007 £m
Reconciliation of profit after taxation from continuing operations to cash generated from continuing operations:		
Profit after taxation from continuing operations	36.7	26.7
Adjusted for:		
Tax charge	14.6	11.5
Finance costs	22.6	21.1
Share-based payment charge	2.7	0.9
Retirement benefit (credit)/charge (note 10)	(0.5)	0.5
Amortisation of intangible assets	0.4	0.1
Depreciation of property, plant and equipment	3.5	2.9
Loss on disposal of property, plant and equipment	0.1	0.6
Changes in operating assets and liabilities:		
Amounts receivable from customers	29.9	102.7
Trade and other receivables	3.3	3.6
Trade and other payables	(15.0)	(7.0)
Retirement benefit asset	(2.4)	(2.2)
Derivative financial instruments	0.8	(1.0)
Provisions	(0.2)	(0.5)
Cash generated from continuing operations	96.5	159.9

1 General information

The company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is Colonnade, Sunbridge Road, Bradford, BD1 2LQ.

The company is listed on the London Stock Exchange.

The condensed consolidated interim financial information does not constitute the statutory financial statements of the group within the meaning of Section 240 of the Companies Act 1985. The statutory financial statements for the year ended 31 December 2007 were approved by the board of directors on 4 March 2008 and have been delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

The condensed consolidated interim financial information will be published on the company's website, www.providentfinancial.com, 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 accounts may differ from legislation in other jurisdictions.

The condensed consolidated interim financial information for the six months ended 30 June 2008 has been reviewed, not audited, and was approved for issue by the board of directors on 30 July 2008.

2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

Taxes on profits in interim periods are accrued using the tax rate that would be applicable to expected total annual profits.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008, but do not have any impact on the group:

- IFRIC 12, 'Service concession arrangements'.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.

The group adopted IFRIC 11, 'IFRS 2 – Group and treasury share transactions' in its annual financial statements for the year ended 31 December 2006, prior to its mandatory adoption on 1 January 2008.

3 Accounting policies *continued*

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- IFRS 8, 'Operating segments', effective for accounting periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The implementation of the standard is not expected to have a material impact on the presentation of segments currently used by the group.
- IAS 23 (amendment), 'Borrowing costs', effective for accounting periods beginning on or after 1 January 2009. This amendment has no impact on the group as it currently applies a policy of capitalising borrowing costs.
- IFRS 2 (amendment), 'Share-based payment', effective for accounting periods beginning on or after 1 January 2009. The group is assessing the impact of changes to vesting conditions and cancellations on the group's SAYE schemes.
- IFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first accounting period beginning on or after 1 July 2009. The group is assessing the impact of the new requirements regarding acquisition accounting and consolidation on the group. The group does not have any associates or joint ventures.
- IAS 1 (amendment), 'Presentation of financial statements', effective for accounting periods beginning on or after 1 January 2009. The group is in the process of developing proforma accounts under the revised disclosure requirements of this standard.
- IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements', effective for accounting periods beginning on or after 1 January 2009. This is not relevant to the group as it does not have any puttable instruments.
- IFRIC 13, 'Customer loyalty programmes', effective for accounting periods beginning on or after 1 July 2008. This is not relevant to the group as it does not have any customer loyalty programmes.
- IFRIC 15, 'Agreement for the construction of real estate', effective for accounting periods beginning on or after 1 January 2007. This is not relevant to the group.
- IFRIC 16, 'Hedges of a net investment in a foreign operation', effective for accounting periods beginning on or after 1 October 2008. This is not applicable to the group as it does not have any overseas subsidiaries.

4 Segment information

	Six months ended 30 June			
	Revenue		Profit/(loss) before taxation	
	2008 £m	2007 £m	2008 £m	2007 £m
Continuing operations				
Consumer Credit Division	324.0	292.0	50.2	47.0
Vanquis Bank	42.9	27.8	3.0	(4.2)
Yes Car Credit	3.2	10.0	(1.0)	(1.2)
	370.1	329.8	52.2	41.6
Central:				
– costs	–	–	(2.7)	(4.5)
– interest receivable	–	–	1.8	1.1
Total central	–	–	(0.9)	(3.4)
Total continuing operations	370.1	329.8	51.3	38.2

All of the above activities relate to continuing operations as defined in IFRS 5 'Non-current assets held for sale and discontinued operations'. Consistent with the treatment in prior years, the Yes Car Credit operation has been classified as part of continuing operations on the basis that revenue and impairment will continue to be generated from the loan book until it has been fully collected-out.

4 Segment information *continued*

Revenue between business segments is not material. All of the group's operations operate in the UK and Republic of Ireland.

	Net assets/(liabilities)		
	30 June 2008 £m	31 December 2007 £m	30 June 2007 £m
Continuing operations			
Consumer Credit Division	205.9	209.6	201.7
Vanquis Bank	33.4	28.6	34.3
Yes Car Credit	(41.6)	(41.9)	(39.6)
Central	82.6	99.6	89.7
Total continuing operations	280.3	295.9	286.1
Discontinued operations – International	–	–	164.7
Total group	280.3	295.9	450.8

5 Tax charge

The tax charge for the period has been calculated by applying the directors' best estimate of the effective tax rate for the year, which is 28.5% (six months ended 30 June 2007: 30.1%), to the profit before tax for the period.

6 Discontinued operations

The demerger of the companies forming the international business was completed on 16 July 2007 and the disposal of the companies forming the insurance business was completed on 15 June 2007. Accordingly, these businesses have been presented as discontinued operations in accordance with IFRS 5.

The profit after taxation attributable to discontinued operations can be analysed as follows:

	Six months ended 30 June	
	2008 £m	2007 £m
Profit after taxation for the period from the trading activities of the international business	–	12.7
Demerger costs, net of tax credit	–	(11.3)
	–	1.4
Profit after taxation for the period from the trading activities of the insurance business	–	8.2
Profit after taxation on disposal of the insurance business	–	68.4
	–	76.6
Profit after taxation for the period from discontinued operations	–	78.0

6 Discontinued operations *continued*

The profit after taxation for the period from the trading activities of the international business can be analysed as follows:

	Six months ended 30 June	
	2008 £m	2007 £m
Revenue	–	191.6
Finance income	–	3.8
Total income	–	195.4
Finance costs	–	(15.3)
Operating costs	–	(79.2)
Administrative expenses	–	(82.8)
Total costs	–	(177.3)
Profit before taxation for the period from trading activities	–	18.1
Tax charge	–	(5.4)
Profit after taxation for the period from trading activities	–	12.7

The revenue and profit before taxation for the period from the trading activities of the international business can be further analysed into the following geographical segments:

	Six months ended 30 June			
	Revenue		Profit/(loss) before taxation	
	2008 £m	2007 £m	2008 £m	2007 £m
Central Europe	–	173.1	–	31.9
Mexico	–	17.1	–	(6.9)
Romania	–	1.4	–	(1.9)
UK and Republic of Ireland	–	–	–	(5.0)
Total	–	191.6	–	18.1

The net assets of the international business on demerger were £165.9m. As the divestment was accounted for as a demerger in the form of a dividend in specie, there was no gain or loss recognised in the income statement. There was no tax charge/credit arising as a result of the demerger.

No demerger costs arose in the six months ended 30 June 2008. In the six months ended 30 June 2007 demerger costs amounted to £11.3m comprising gross demerger costs of £11.8m net of a tax credit of £0.5m.

The profit after taxation for the period from the trading activities of the insurance business can be analysed as follows:

	Six months ended 30 June	
	2008 £m	2007 £m
Revenue	–	61.8
Finance income	–	7.4
Total income	–	69.2
Operating costs	–	(49.0)
Administrative expenses	–	(8.4)
Total costs	–	(57.4)
Profit before taxation for the period from trading activities	–	11.8
Tax charge	–	(3.6)
Profit after taxation for the period from trading activities	–	8.2

All of the above insurance activities relate to activities in the UK and Republic of Ireland.

6 Discontinued operations *continued*

The profit after taxation on disposal of the insurance business on 15 June 2007 can be analysed as follows:

	£m
Sales proceeds	170.5
Termination of interest rate swaps	(6.9)
Section 75 pension contribution (note 10)	(3.4)
Disposal costs	(8.1)
Tax recovered from purchaser	2.0
Net cash consideration	154.1
Retirement benefit curtailment credit (note 10)	2.9
Share-based payment charge	(0.6)
Increase in retirement benefit asset following Section 75 pension contribution (note 10)	3.4
Net assets on disposal	(90.5)
Profit before taxation on disposal of the insurance business	69.3
Tax charge	(0.9)
Profit after taxation on disposal of the insurance business	68.4

The interest rate swaps were held to hedge the interest rate risk on the investment funds held by the insurance business. These swaps were terminated on disposal at a cost of £6.9m.

The Section 75 pension contribution represented a reduction in consideration for the payment of £3.4m of pension contributions into the group's defined benefit pension schemes by the insurance business following disposal. The group's retirement benefit asset increased by a corresponding amount (see note 10).

Disposal costs of £8.1m comprised professional fees and the cost of bonuses for the senior management team of the insurance business.

The tax recovered from the purchaser of £2.0m represented an adjustment to the consideration to reflect tax relief obtained by the purchaser.

The retirement benefit curtailment credit of £2.9m arose as a result of the reduction in the group's projected defined benefit obligation following the insurance business employees ceasing to be active members of the group's pension schemes (see note 10).

A deferred tax liability of £0.9m was recognised on the pension curtailment credit and the Section 75 pension contribution.

The share-based payment charge of £0.6m represented the crystallisation of the share options of the insurance business management team as a result of the disposal.

No tax liability arose on the disposal of the insurance business due to the availability of the Substantial Shareholdings Exemption.

6 Discontinued operations *continued*

The cash flows from discontinued operations were as follows:

	Six months ended 30 June	
	2008 £m	2007 £m
Profit after taxation from discontinued operations	–	78.0
Adjusted for:		
Tax charge	–	9.4
Finance costs	–	15.3
Finance income	–	(11.2)
Share-based payment charge	–	0.3
Retirement benefit charge (note 10)	–	0.1
Amortisation of intangible assets	–	11.6
Depreciation of property, plant and equipment	–	4.6
Profit on disposal of property, plant and equipment	–	(0.4)
Profit on disposal of insurance business	–	(69.3)
Changes in operating assets and liabilities:		
Amounts receivable from customers	–	(24.3)
Trade and other receivables	–	(4.1)
Insurance assets	–	(23.4)
Trade and other payables	–	9.3
Insurance accruals and deferred income	–	(6.8)
Retirement benefit asset	–	(0.4)
Derivative financial instruments	–	(1.0)
Cash used in discontinued operations	–	(12.3)
Finance costs paid	–	(17.7)
Finance income received	–	10.9
Tax paid	–	(15.2)
Net cash used in discontinued operating activities	–	(34.3)
Purchases of property, plant and equipment	–	(10.6)
Proceeds from disposal of property, plant and equipment	–	2.6
Purchases of intangible assets	–	(0.3)
Proceeds from disposal of insurance business, net of cash and cash equivalents disposed of	–	(190.7)
Net cash used in investing activities in discontinued operations	–	(199.0)
Proceeds from borrowings	–	54.8
Repayment of borrowings	–	(181.7)
Net cash used in financing activities in discontinued operations	–	(126.9)
Net decrease in cash and cash equivalents in discontinued operations	–	(360.2)

7 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding own shares held, which are treated, for this purpose, as being cancelled.

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. For share options and awards, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options and awards. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and awards.

Reconciliations of basic and diluted EPS for continuing operations, the total group and discontinued operations are set out below:

	Six months ended 30 June					
			2008			2007
	Earnings £m	Weighted average number of shares m	Per share amount Pence	Earnings £m	Weighted average number of shares m	Per share amount Pence
EPS from continuing operations						
Shares in issue during the period		131.2			256.5	
Own shares held		(1.2)			(0.3)	
Basic EPS from continuing operations	36.7	130.0	28.2	26.7	256.2	10.4
Dilutive effect of share options and awards	–	0.7	(0.1)	–	2.0	(0.1)
Diluted EPS from continuing operations	36.7	130.7	28.1	26.7	258.2	10.3
EPS attributable to equity shareholders						
Shares in issue during the period		131.2			256.5	
Own shares held		(1.2)			(0.3)	
Basic EPS attributable to equity shareholders	36.7	130.0	28.2	104.7	256.2	40.9
Dilutive effect of share options and awards	–	0.7	(0.1)	–	2.0	(0.3)
Diluted EPS attributable to equity shareholders	36.7	130.7	28.1	104.7	258.2	40.6
EPS from discontinued operations						
Shares in issue during the period		131.2			256.5	
Own shares held		(1.2)			(0.3)	
Basic EPS from discontinued operations	–	130.0	–	78.0	256.2	30.4
Dilutive effect of share options and awards	–	0.7	–	–	2.0	(0.2)
Diluted EPS from discontinued operations	–	130.7	–	78.0	258.2	30.2

7 Earnings per share *continued*

The directors have elected to show an adjusted EPS from continuing operations after restating the weighted average number of shares in issue in 2007 to take account of the one for two share consolidation which accompanied the demerger of the international business on 16 July 2007 as though it had occurred on 1 January 2007. In addition, in order to show the EPS generated by the group's underlying operations, the directors have elected to restate central costs from £4.5m to £2.0m in the six months ended 30 June 2007 to reflect the ongoing cost of running the central corporate function following demerger. A reconciliation of basic and diluted EPS from continuing operations to adjusted basic and diluted EPS from continuing operations is as follows:

	Six months ended 30 June					
	2008			2007		
	Earnings £m	Weighted average number of shares m	Per share amount Pence	Earnings £m	Weighted average number of shares m	Per share amount Pence
Basic EPS from continuing operations	36.7	130.0	28.2	26.7	256.2	10.4
Share consolidation adjustment	–	–	–	–	(127.3)	10.3
Central costs adjustment, net of tax at 30%	–	–	–	1.8	–	1.4
Adjusted basic EPS from continuing operations	36.7	130.0	28.2	28.5	128.9	22.1
Diluted EPS from continuing operations	36.7	130.7	28.1	26.7	258.2	10.3
Share consolidation adjustment	–	–	–	–	(127.3)	10.1
Central costs adjustment, net of tax at 30%	–	–	–	1.8	–	1.4
Adjusted diluted EPS from continuing operations	36.7	130.7	28.1	28.5	130.9	21.8

8 Dividends

	Six months ended 30 June	
	2008 £m	2007 £m
2006 final – 22.0p	–	56.4
2007 final – 38.1p	50.0	–
Dividends paid	50.0	56.4

The 2007 final dividend of 38.1p per share was based on the number of shares in issue following the one for two share consolidation which took place on 16 July 2007 in conjunction with the demerger of the international business. The final dividend per share in respect of 2006 was based on the shares in issue prior to the share consolidation.

The directors have declared an interim dividend in respect of the six months ended 30 June 2008 of 25.4p per share (six months ended 30 June 2007: 25.4p) which will amount to a dividend payment of £33.3m (2007: £33.0m). This dividend is not reflected in the balance sheet as it will be paid after the balance sheet date.

9 Amounts receivable from customers

	30 June 2008 £m	31 December 2007 £m	30 June 2007 £m
Continuing operations			
Consumer Credit Division	701.7	749.0	623.9
Vanquis Bank	177.5	143.1	114.3
Yes Car Credit	16.3	33.3	60.8
Total continuing operations	895.5	925.4	799.0
Discontinued operations – International	–	–	355.2
Total group	895.5	925.4	1,154.2
Analysed as:			
– due within one year	837.3	853.6	1,061.2
– due in more than one year	58.2	71.8	93.0
	895.5	925.4	1,154.2

Of the amounts receivable from customers due within one year, £837.3m (31 December 2007: £853.6m, 30 June 2007: £723.9m) relates to continuing operations and £nil (31 December 2007: £nil, 30 June 2007: £337.3m) relates to discontinued operations. Of the amounts receivable from customers due in more than one year, £58.2m (31 December 2007: £71.8m, 30 June 2007: £75.1m) relates to continuing operations and £nil (31 December 2007: £nil, 30 June 2007: £17.9m) relates to discontinued operations.

The impairment charge in respect of amounts receivable from customers reflected within operating costs can be analysed as follows:

	Six months ended 30 June	
	2008 £m	2007 £m
Continuing operations		
Consumer Credit Division	121.2	107.4
Vanquis Bank	16.5	12.8
Yes Car Credit	1.1	5.5
Total continuing operations	138.8	125.7
Discontinued operations – International	–	41.8
Total group	138.8	167.5

10 Retirement benefit asset

The group operates a number of UK-based pension schemes. The two major defined benefit schemes are the Provident Financial Senior Pension Scheme ('the senior pension scheme') and the Provident Financial Staff Pension Scheme ('the staff pension scheme'). The schemes cover 65% of employees with company-provided pension arrangements and are of the funded, defined benefit type providing retirement benefits based on final salary. Following a full group review of pension scheme arrangements during 2005, from 1 April 2006 members were provided with a choice of paying higher member contributions to continue accruing benefits based on final salary or paying a lower member contribution and accruing benefits based on a percentage of salary which would be revalued each year.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out as at 1 June 2006 by a qualified independent actuary. The valuation used for the purposes of IAS 19 'Employee benefits' has been based on the results of these valuations which have been updated by the actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the schemes as at the balance sheet date. Scheme assets are stated at fair value as at the balance sheet date.

10 Retirement benefit asset *continued*

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

	30 June 2008 £m	31 December 2007 £m	30 June 2007 £m
Fair value of scheme assets	440.4	465.7	491.5
Present value of funded defined benefit obligations	(382.5)	(404.2)	(422.9)
Net retirement benefit asset recognised in the balance sheet	57.9	61.5	68.6

The amounts recognised in the income statement are as follows:

	Six months ended 30 June	
	2008 £m	2007 £m
Current service cost	(2.9)	(3.5)
Interest cost	(11.5)	(11.5)
Expected return on scheme assets	14.9	14.4
Net credit/(charge) before curtailment credit	0.5	(0.6)
Curtailment credit	–	2.9
Net credit recognised in the income statement	0.5	2.3

The net credit/(charge) before curtailment credit for the six months ended 30 June 2008 has been included within administrative expenses and comprises a credit of £0.5m in respect of continuing operations (six months ended 30 June 2007: charge of £0.5m) and a charge of £nil in respect of discontinued operations (six months ended 30 June 2007: charge of £0.1m).

Following the disposal of the insurance business on 15 June 2007, the relevant employees of the insurance business ceased to be active members of the group's pension schemes. Accordingly their benefits are no longer linked to future salary increases and therefore the projected defined benefit obligation relating to them is less than that anticipated prior to the disposal. The reduction in the projected defined benefit obligation of £2.9m was recognised as a curtailment credit in the consolidated income statement in the six months ended 30 June 2007. This amount has been included within the profit on disposal of the insurance business (see note 6).

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

	Six months ended 30 June	
	2008 £m	2007 £m
Fair value of scheme assets at 1 January	465.7	467.9
Expected return on assets	14.9	14.4
Actuarial (losses)/gains on scheme assets	(37.6)	6.5
Section 75 contribution on disposal of insurance business	–	3.4
Contributions by the group	2.4	2.6
Contributions paid by scheme participants	1.3	1.6
Net benefits paid out	(6.3)	(4.9)
Fair value of scheme assets at 30 June	440.4	491.5

The Section 75 contribution on disposal of the insurance business of £3.4m was the statutory pension debt arising as a result of the insurance business ceasing to participate in the group's pension schemes following sale. It was calculated in accordance with Section 75 of the Pensions Act 1995.

10 Retirement benefit asset *continued*

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

	Six months ended 30 June	
	2008 £m	2007 £m
Defined benefit obligation at 1 January	(404.2)	(459.0)
Current service cost	(2.9)	(3.5)
Interest cost	(11.5)	(11.5)
Curtailment credit	–	2.9
Contributions paid by scheme participants	(1.3)	(1.6)
Actuarial gains on scheme liabilities	31.1	44.9
Net benefits paid out	6.3	4.9
Defined benefit obligation at 30 June	(382.5)	(422.9)

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

	30 June 2008 %	31 December 2007 %	30 June 2007 %
Price inflation	4.00	3.40	3.40
Rate of increase in pensionable salaries	5.57	4.97	4.90
Rate of increase to pensions in payment	4.00	3.40	3.30
Discount rate	6.40	5.70	5.70

The mortality assumptions used in the valuation of the defined benefit pension schemes are based on the mortality experience of insured pension schemes and allow for future improvements in life expectancy. The group continues to use the PA92 series of standard tables combined with the medium cohort improvement factors for projecting mortality. In more simple terms, for members of the staff scheme it is assumed that members who retire in the future at age 65 will live on average for a further 21 years if they are male and for a further 24 years if they are female. For members of the senior scheme it is assumed that members who retire in the future at age 60 will live on average for a further 29 years if they are male and for a further 32 years if they are female. If assumed life expectancies had been one year greater for both schemes, the net retirement benefit asset would have reduced by approximately £17m (31 December 2007: £18m, 30 June 2007: £18m).

An analysis of amounts recognised in the consolidated statement of recognised income and expense (SORIE) is as follows:

	Six months ended 30 June	
	2008 £m	2007 £m
Actuarial (losses)/gains on scheme assets	(37.6)	6.5
Actuarial gains on scheme liabilities	31.1	44.9
Total (loss)/gain recognised in the SORIE in the period	(6.5)	51.4

11 Consolidated statement of changes in shareholders' equity

	Called-up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 January 2007	26.5	110.8	5.7	211.0	354.0
Cash flow hedges:					
– net fair value gains	–	–	1.9	–	1.9
– recycled and reported in profit for the period	–	–	2.8	–	2.8
Actuarial gains on retirement benefit asset	–	–	–	51.4	51.4
Tax charge on items taken directly to equity	–	–	(1.4)	(15.4)	(16.8)
Net income recognised directly in equity	–	–	3.3	36.0	39.3
Profit for the period	–	–	–	104.7	104.7
Total recognised income for the period	–	–	3.3	140.7	144.0
Issue of share capital	0.2	6.8	–	–	7.0
Treasury shares adjustment – vesting of shares	–	–	0.4	–	0.4
Share-based payment adjustments:					
– share-based payment charge	–	–	1.8	–	1.8
– transfer of share-based payment reserve	–	–	(0.8)	0.8	–
Dividends	–	–	–	(56.4)	(56.4)
Balance at 30 June 2007	26.7	117.6	10.4	296.1	450.8
Balance at 1 July 2007	26.7	117.6	10.4	296.1	450.8
Cash flow hedges – net fair value losses	–	–	(0.2)	–	(0.2)
Actuarial losses on retirement benefit asset	–	–	–	(5.1)	(5.1)
Tax credit on items taken directly to equity	–	–	0.1	1.5	1.6
Impact of change in UK tax rate	–	–	–	0.8	0.8
Net expense recognised directly in equity	–	–	(0.1)	(2.8)	(2.9)
Profit for the period	–	–	–	33.7	33.7
Total recognised (expense)/income for the period	–	–	(0.1)	30.9	30.8
Issue of share capital	0.5	15.1	–	–	15.6
Treasury shares adjustments:					
– purchases of shares	–	–	(6.5)	–	(6.5)
– vesting of shares	–	–	1.7	–	1.7
– transfer of treasury shares reserve	–	–	2.6	(2.6)	–
Share-based payment adjustments:					
– share-based payment charge	–	–	7.0	–	7.0
– cash settlement in respect of share-based payments	–	–	(3.8)	–	(3.8)
– transfer of share-based payment reserve	–	–	(4.9)	4.9	–
– deferred tax on share-based payment reserve transfer	–	–	–	(0.8)	(0.8)
Dividends	–	–	–	(33.0)	(33.0)
Demerger of international business – dividend in specie	–	–	–	(165.9)	(165.9)
Transfer of foreign exchange reserve on demerger of international business	–	–	(6.3)	6.3	–
Balance at 31 December 2007	27.2	132.7	0.1	135.9	295.9

11 Consolidated statement of changes in shareholders' equity *continued*

	Called-up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 January 2008	27.2	132.7	0.1	135.9	295.9
Cash flow hedges – net fair value gains	–	–	11.2	–	11.2
Actuarial losses on retirement benefit asset	–	–	–	(6.5)	(6.5)
Tax (charge)/credit on items taken directly to equity	–	–	(3.1)	1.8	(1.3)
Net income/(expense) recognised directly in equity	–	–	8.1	(4.7)	3.4
Profit for the period	–	–	–	36.7	36.7
Total recognised income for the period	–	–	8.1	32.0	40.1
Issue of share capital	–	0.3	–	–	0.3
Treasury shares adjustment – purchases of own shares	–	–	(8.7)	–	(8.7)
Share-based payment adjustment – share-based payment charge	–	–	2.7	–	2.7
Dividends	–	–	–	(50.0)	(50.0)
Balance at 30 June 2008	27.2	133.0	2.2	117.9	280.3

12 Seasonality

The group's peak period of lending to customers is in the lead up to the Easter holidays in the first half of each financial year and then more significantly in the lead up to Christmas in the second half of the financial year. Accordingly, in 2007 approximately 60% of Home Credit loans issued by the Consumer Credit Division were made in the second half of the financial year and the group's peak borrowing requirement arose in December. In addition, the group's accounting policies relating to revenue and impairment are an important influence on the recognition of the group's profit between the first and second halves of the financial year. The interest income earned from loans and receivables is spread on an effective yield basis over the contractual term of the group's loans and receivables resulting in revenue being split broadly evenly between the first and second halves of the financial year, notwithstanding that the larger proportion of credit is issued in the second half of the financial year. The accounting policy relating to the impairment of customer receivables requires impairments to be made only when there is objective evidence of impairment of a customer balance, such as a missed payment. This results in the group's largest impairment charges arising early in each financial year when customers default on loans they received in the lead up to Christmas. Accordingly, the impairment charge is typically higher in the first half of the financial year. In 2007, the first half impairment charge in the Consumer Credit Division represented approximately 60% of the full year impairment charge.

The analysis set out above relates to the Consumer Credit Division only. Vanquis Bank is still in a rapid growth phase and at this stage of its development the influence of its rapid growth has a much more significant influence on the profits reported by the business during the financial year than the underlying seasonality.

Statement of directors' responsibilities

The directors confirm that the condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions that have occurred in the first six months of the financial year and any material changes in the related party transactions described in the last annual report and financial statements.

The directors of Provident Financial plc are listed in the 2007 Annual Report and Financial Statements. There have been no changes in directors during the six months ended 30 June 2008.

By order of the board

Peter Crook
Chief Executive

Andrew Fisher
Finance Director

30 July 2008

Independent review report to Provident Financial plc

Introduction

We have been engaged by the company to review the condensed consolidated interim financial information in the interim report for the six months ended 30 June 2008, which comprises the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and 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 information in the condensed consolidated interim financial information.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial information included in this interim report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial information in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information in the interim report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
Leeds

30 July 2008

Information for shareholders

1 The shares will be marked ex-dividend on 5 November 2008.

2 The interim dividend will be paid on 28 November 2008 to shareholders on the register at the close of business on 7 November 2008. Dividend warrants/vouchers will be posted on 26 November 2008.

Directors

John van Kuffeler	Non-executive Chairman and Chairman of the Nomination Committee

EXECUTIVE DIRECTORS

Peter Crook	Chief Executive and Chairman of the Executive Committee
Andrew Fisher	Finance Director
Chris Gillespie	Managing Director, Consumer Credit Division

NON-EXECUTIVE DIRECTORS

John Maxwell	Senior independent non-executive director and Chairman of the Remuneration Committee
Robert Hough	Independent non-executive director and Chairman of the Risk Advisory Committee
Manjit Wolstenholme	Independent non-executive director and Chair of the Audit Committee

GENERAL COUNSEL AND COMPANY SECRETARY

Ken Mullen

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