Provident Financial plc
Preliminary announcement of the final results
for the year ended 31 December 2006

H I G H L I G H T S

Provident Financial is a leading international group providing home credit, credit cards and motor insurance with 4.1 million customers in the UK, Republic of Ireland, Central Europe, Mexico and Romania.

Key financial results

	2006	**2005**	**Percentage change**
Profit before tax and exceptional costs[1,2]	£191.3m	£181.4m	+5.5%
Pre-exceptional earnings per share[1]	52.92p	50.41p	+5.0%
Profit before tax[2]	£180.2m	£40.4m	
Basic earnings per share	49.00p	nil	
Full year dividend per share	36.50p	35.43p	+3.0%

[1] Stated before exceptional demerger costs of £11.1m in 2006 and Yes Car Credit closure costs of £141.0m in 2005
[2] 2006 profit before tax includes a one-off £6.6m pension credit in respect of changes to members' commutation rights

Key points

- Group profit before tax and exceptional costs up 5.5% after absorbing £30.4m (2005 £19.0m) of investment in start-up businesses to drive future UK and international growth (Vanquis Bank £18.3m, new international countries £12.1m)
- UK home credit customer growth for the first time in three years, up 2.0% to 1.52 million, after a step up in marketing activity
- Vanquis Bank customer numbers pass year end target of 250,000, up 57% on prior year
- Profits from established Central European home credit businesses up 8.2% to £65.7m (2005 £60.7m)
- Motor insurance pre-tax profit up 2.5% to £41.0m (2005 £40.0m)

Commenting on the results, John van Kuffeler, Chairman, said:

"With growth in customer numbers restored, the medium-term outlook for UK home credit has improved over the past 12 months and the business is well placed to take advantage of changing market conditions. Future performance will benefit as the recent investments in marketing and technology gain momentum, although the business will have to absorb the financial impact of the Competition Commission remedies. Vanquis Bank, which made a substantial start-up loss in 2006, is expected to trade at around breakeven for 2007 as a whole.

Having laid sound foundations in Central Europe during 2006, we expect to see continued progress in the coming year. The opportunity within the international business for growth in both existing and new markets remains excellent.

2006 has been a year of significant progress for the group. The investment in new businesses will benefit the future growth of both the UK and international businesses. This leaves the group well placed to effect the demerger of the international business following the sale of Provident Insurance which the board expects to be completed during the second quarter of 2007."

John van Kuffeler
Chairman
7 March 2007

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Chairman's statement

Overview

2006 has been a year of significant progress for the group. The investment in new businesses will benefit the future growth of both the UK and international businesses, and leaves the group well placed to complete the forthcoming demerger of the international business.

UK operations

In 2006, UK home credit has restored customer growth, enhanced credit management, invested in technology to drive future efficiency and effectiveness, seen a conclusion to the long running Competition Commission inquiry and, overall, generated improved medium term prospects.

The UK home credit business grew customer numbers for the first time in three years, assisted by increased investment in marketing which has opened up new sales channels and stimulated customer growth. 2006 saw continuing pressure on the disposable incomes of UK home credit customers. Impairment charges rose at a faster rate than revenue, although in comparison with other UK lenders, were kept well in check by enhanced credit management and arrears processes.

Efficiency is a key priority for UK home credit and the integration of the Greenwood Personal Credit and Provident Personal Credit field management and administration was completed early in the year. In addition, the investment in hand-held computers for agents which is expected to be rolled out from 2007, will allow the company to operate more efficiently in future years and also increase the effectiveness of the agency force. Overall, UK home credit profits for 2006 of £127.5 million (2005 £130.0 million) were lower than 2005 because of increased marketing expenditure and impairment charges.

Vanquis Bank's focus on developing more rigorous underwriting criteria together with increasing the resources dedicated to collections proved to be the right priorities in 2006, a year of difficult market conditions which saw impairment charges rise across the industry. Customer numbers continue to grow and exceeded 250,000 by the end of the year, assisted by internet recruitment which has supplemented the primary direct mail sales channel. Vanquis Bank re-priced its assets towards the end of 2006 and, in line with corporate objectives, the business is expected to trade around breakeven for 2007 as a whole.

The motor insurance business once again delivered excellent results, with increased profits benefiting from releases of prior years' claims reserves. Yesinsurance.co.uk, the internet-based distribution channel launched during 2006, is trading well.

Discussions with potential acquirers of the motor insurance business are proceeding satisfactorily. A further announcement will be made in due course.

The collect-out of the Yes Car Credit receivables book continues to progress well and the balance stood at £108.6 million at the year end (2005 £235.3 million). The board is reviewing whether the group should continue to collect-out the book itself or realise value through sale to a third party.

International

During 2006, the international business grew profits from its established Central European operations to £65.7 million (2005 £60.7 million) and substantially improved credit quality. It also stepped up investment in its new businesses in Mexico and Romania resulting in start-up losses of £12.1 million (2005 £3.1 million).

The international business finished the year strongly after restoring the quality of the receivables book in Poland and overcoming the temporary suspension of new lending in Hungary.

Over the past two years, the Polish operation has had to contend with rolling out a new product to comply with the interest rate cap legislation introduced in February 2006 and also respond to the adverse trends in collections and impairment that emerged during 2005. Management have successfully met both challenges. Since the late summer of 2006, the improvement in the quality of lending and the receivables book has generated a significantly reduced level of impairment charges. From this foundation, the business is investing in marketing and its field operations to restore profitable growth.

In Hungary, the changes to administrative procedures and the status of agents required by the PSZAF, the Hungarian financial supervisory authority, were completed and on 6 December 2006 lending recommenced after a suspension period of seven weeks. The business recovered well and very high levels of credit were issued through the remainder of December.

The Czech Republic and Slovakia performed well and the Romanian pilot continues to perform in line with plan.

In Mexico, customer numbers stood at just over 250,000 at the end of December, nearly double the figure a year earlier. The current priority is building the experience of the existing local management and field operations before resuming geographic expansion through further branch openings.

Financial results and dividend

Profit before tax for the year before exceptional costs increased by £9.9 million to £191.3 million (2005 £181.4 million). The profit for the year benefited from a one-off £6.6 million pension credit in respect of changes to members' commutation rights.

The group has incurred £11.1 million of exceptional costs in the period up to 31 December 2006 in preparation for the demerger of the international businesses, comprising legal, accounting, advisory and other one-off separation costs. These costs have been reflected in the consolidated income statement.

Profit before tax after exceptional costs for the year was £180.2 million (2005 £40.4 million). Earnings per share were 49.00 pence for the year (2005 nil), and adjusted earnings per share, before exceptional costs, were up 5.0% to 52.92 pence (2005 50.41 pence).

The board is recommending a final dividend of 22.02 pence (2005 21.37 pence) making a total dividend for the year of 36.50 pence (2005 35.43 pence), an increase of 3%. Subject to the approval of shareholders at the company's annual general meeting on 16 May 2007, the final dividend will be paid on 25 May 2007 to shareholders on the register at 6 April 2007.

Balance sheet and capital

Net assets increased by £36.6 million during 2006 to finish the year at £354.0 million (2005 £317.4 million).

Amounts receivable from customers fell by £41.2 million to £1,232.7 million as the collect-out of the Yes Car Credit book continued to progress well. Excluding Yes Car Credit, receivables increased by £85.5 million to £1,124.1 million (2005 £1,038.6 million), primarily reflecting growth in UK home credit and Vanquis Bank.

Borrowings increased to £1,021.0 million (2005 £982.9 million) following the funding of the group's pension deficit earlier in the year. At the year end, the group had a small pension asset of £8.9 million compared to a £105.6 million deficit in 2005. Year end gearing, expressed as the ratio of borrowings to shareholders' equity, was 2.9 times (2005 3.1 times).

The group's year end capital adequacy ratio was 23.0% (2005 21.2%), fully compliant with the requirement set by the Financial Services Authority.

Regulatory developments

In November 2006, the Competition Commission delivered the final report of its inquiry into home credit in the UK. This report sets out a number of remedies designed to increase competition in the home credit industry. The group is working constructively with the Competition Commission to implement the remedies to the agreed timetable.

The report confirms that customer satisfaction is high and that home credit is well-suited to its customers' needs and represents an important part of the consumer credit mix in the UK. After two years of intense investigation, it is satisfying to have won this independent endorsement of the strengths and benefits of the home credit product. The report also rejected the introduction of an interest rate cap, an option which is widely recognised to be damaging to consumers.

The package of remedies put forward by the Competition Commission centre on the sharing of customer data with credit reference agencies and also include enhanced rebates to customers who settle their loans early. The cost of implementing the required changes is estimated at around £5 million in 2007 as the remedies are progressively implemented, and up to £10 million per annum thereafter.

In the international business, the Polish operation has responded to the interest rate cap imposed by the Polish government from February 2006 by redesigning its loans to make the home collection service an option which customers can choose to pay for separately.

At the request of the financial supervisory authority in Hungary, the business there has modified its administrative procedures and IT systems and has changed the status of its agents from self-employed to employed. Lending was suspended for seven weeks up to 6 December 2006 while the changes were made. Trading has returned to normal, although annual running costs will be some £6 million higher as a result of the change in status of agents.

The proposed demerger

(i) Background

The group announced on 4 July 2006 that it would work towards implementing a separate listing of the international business.

The rapid expansion of the international business since formation in 1997 has been achieved in part through the financial and operational support of UK home credit. Ten years on, the international business is a successful, self-sufficient, stand-alone entity.

With the regulatory uncertainties in the UK and Poland now resolved, the board believes it is appropriate to separate the UK and international businesses into independently listed entities. The two businesses will have distinct strategic agendas calling for different management skills and focus, as well as offering different investment propositions to shareholders. The management of the international business will focus solely on the significant opportunities to capture the growth in new, existing and emerging markets. The management of the UK business will focus on developing a more broadly based business in the UK non-prime consumer credit market.

(ii) Organisation and board structures

Following the demerger, Provident Financial plc will continue to own the UK home credit business and Vanquis Bank, its UK non-prime credit card business established in 2004. As announced on 17 January, the group is progressing the sale of its non-core motor insurance business, Provident Insurance. Discussions with potential acquirers are proceeding satisfactorily and the board expects to complete the sale of the business before the demerger becomes effective.

I will continue to be Chairman of Provident Financial and the other directors will be as set out below:

Peter Crook	Chief Executive
Andrew Fisher	Finance Director
John Maxwell	Non-executive director
Robert Hough	Non-executive director

Peter Crook joined Provident Financial in 2005 as Managing Director of UK home credit and was appointed to the board in March 2006. He joined from Barclays plc where he was UK Managing Director of Barclaycard from 2000 and the Managing Director of UK Consumer Finance from 2004.

Andrew Fisher joined Provident Financial in 2006 as Finance Director, having served as Finance Director of Premier Farnell plc from 1994. He qualified as a chartered accountant with Price Waterhouse in 1983 and became a partner in 1990.

John Maxwell joined the board of Provident Financial in 2000. He is also a non-executive director of Royal & Sun Alliance Insurance Group plc and Homeserve plc and Chairman of the Institute of Advanced Motorists. He is a director of the Royal Automobile Club Limited and a trustee of the RAF Benevolent Fund.

Robert Hough was appointed to the board of Provident Financial in February 2007. He was executive Deputy Chairman of Peel Holdings p.l.c. for 15 years until 2002 and is currently non-executive Deputy Chairman of Peel Holdings (Management) Limited and Chairman of Peel Airports Limited. He is also non-executive Chairman of Cheshire Building Society and a non-executive director of Alfred McAlpine plc and of Styles & Wood Group plc.

The board is seeking to make one further non-executive appointment for Provident Financial.

Following the demerger, International Personal Finance plc, a newly established public limited company, will own the international businesses of Provident Financial. The board of directors of International Personal Finance will be as set out below:

Christopher Rodrigues	Executive Chairman
John Harnett	Chief Operating Officer
David Broadbent	Finance Director
Ray Miles	Deputy Chairman and senior non-executive director
Charles Gregson	Non-executive director
Tony Hales	Non-executive director

Christopher Rodrigues joined the board of Provident Financial in January 2007 as joint Deputy Chairman and Chairman of the international business, having previously been the President and Chief Executive Officer of Visa International and formerly the Group Chief Executive of Bradford & Bingley plc and a non-executive director of the Financial Services Authority. He is also a non-executive director of Ladbrokes plc and Chairman of Visit Britain, a UK government agency.

John Harnett previously held positions as Finance Director of Allied Colloids PLC and Holliday Chemical Holdings plc before joining Provident Financial in 1999 as Finance Director and has been Managing Director of the international business since May 2006.

David Broadbent qualified as a chartered accountant with Coopers & Lybrand in 1993. He was appointed Finance Director of the international business in 2003 having previously been financial controller for four years.

Ray Miles was formerly Chief Executive of CP Ships Limited and was appointed as a non-executive director of Provident Financial in 2004. He is also a non-executive director of Southern Cross Healthcare Group plc, an advisory director of Stena AB of Sweden and Chairman of Devon Community Foundation.

Charles Gregson joined the board of Provident Financial as a non-executive director in 1995 and was appointed Deputy Chairman in 1997. He is also a director of United Business Media plc and non-executive chairman of ICAP plc.

Tony Hales became a non-executive director of Provident Financial in 2006. He is currently Chairman of British Waterways and Workspace PLC and has previously served as a non-executive director of Reliance Security Group plc, Aston Villa plc and HSBC Bank plc and as Chief Executive of Allied Domecq plc.

The board is seeking to make one further non-executive appointment for International Personal Finance.

(iii) Demerger preparations

The demerger plans are at an advanced stage as summarised below:

- the boards' and management roles have been confirmed;
- the primary UK and European bank syndication processes have been successfully completed. Formal documentation is in the process of being completed;
- the legal process and main tax clearances to effect the demerger are in place;
- the separation of IT systems and infrastructure is substantially complete;
- the corporate support functions and governance structures for the demerged international business have been determined;
- the new headquarters for the international business based in Leeds has been established and is now occupied;
- the basis of splitting pension scheme assets has been agreed; and
- the corporate name, International Personal Finance plc, has been selected.

(iv) Timetable, capital structure and dividend

Full details of the capital structure will be included in the circular and prospectus to be issued in connection with the demerger which will follow once the sale of Provident Insurance has been completed. The board expect the sale to be completed during the second quarter of 2007. A proportion of the expected gain on the disposal will be retained to assist the capitalisation of International Personal Finance.

It is the board's intention that the aggregate dividends per share paid by Provident Financial and International Personal Finance in respect of 2007 will be at least equivalent to the amount paid by Provident Financial in respect of 2006.

The completion of the demerger is subject to the approval of Provident Financial shareholders. This will be sought at an extraordinary general meeting, details of which, along with other resolutions to be considered, will be set out in the circular to be posted to shareholders which will follow once the sale of Provident Insurance has been completed.

The board

We announced on 14 November 2006 that Robin Ashton would be stepping down as Chief Executive at the end of December. We thank him for his dedication and hard work and he goes with our very best wishes for the future.

Since Robin's departure, the three executive directors have reported to me and this will remain in place until the demerger.

On 26 January 2007, Christopher Rodrigues joined the board as joint Deputy Chairman and Chairman of the international business. He will become the first Chairman of the separately listed international business. On 14 October 2006, Tony Hales joined the board and on 1 February 2007 Robert Hough joined the board, both as non-executive directors.

Graham Pimlott resigned as a non-executive director on 27 February 2007 and he leaves with our thanks and best wishes for the future.

Outlook

With growth in customer numbers restored, the medium-term outlook for UK home credit has improved over the past 12 months and the business is well placed to take advantage of changing market conditions. Future performance will benefit as the recent investments in marketing and technology gain momentum, although the business will have to absorb the financial impact of the Competition Commission remedies. Vanquis Bank, which made a substantial start-up loss in 2006, is expected to trade at around breakeven for 2007 as a whole.

Having laid sound foundations in Central Europe during 2006, we expect to see continued progress in the coming year. The opportunity within the international business for profitable growth in both existing and new markets remains excellent.

John van Kuffeler
Chairman
7 March 2007

Trading reviews

Group

The group's profit before taxation for the year can be analysed as follows:

		2006 £m	2005 £m	Change £m
UK home credit*		127.5	130.0	(2.5)
Vanquis Bank		(18.3)	(15.9)	(2.4)
Motor insurance		41.0	40.0	1.0
Yes Car Credit		(1.5)	(24.6)	23.1
Total UK operations		148.7	129.5	19.2
International	- Established countries	58.3	54.2	4.1
	- New countries	(12.1)	(3.1)	(9.0)
Total international		46.2	51.1	(4.9)
Central	- Costs	(6.0)	(8.3)	2.3
	- Interest receivable*	2.4	9.1	(6.7)
Total central		(3.6)	0.8	(4.4)
Profit before tax and exceptional costs		191.3	181.4	9.9
Demerger costs		(11.1)	-	(11.1)
Yes Car Credit closure costs		-	(141.0)	141.0
Total group profit before taxation		180.2	40.4	139.8

** The allocation of the group's interest charge to UK home credit has been changed during 2006 to reflect revised borrowings based on an average ratio of borrowings to UK home credit receivables of 80%. The impact of this in 2006 is to reduce profit in UK home credit by £12.0 million and reduce the interest cost held centrally by £12.0 million. 2005 results have been restated onto a comparable basis resulting in a reduction in UK home credit profit in 2005 of £16.3 million and a reduction in the interest cost held centrally of £16.3 million. These changes have had no impact on reported group profits in either 2006 or 2005.*

UK operations

UK home credit

	2006 £m	2005 £m	Change %
Customer numbers ('000)	1,518	1,488	2.0
Credit issued	940.8	926.5	1.5
Average customer receivables	601.3	559.0	7.6
Revenue	576.7	578.9	(0.4)
Impairment	(178.8)	(171.8)	(4.1)
Revenue less impairment	397.9	407.1	(2.3)
Impairment % revenue	*31.0%*	*29.7%*	
Costs	(240.0)	(247.6)	3.1
Interest	(30.4)	(29.5)	(3.1)
Profit before tax	127.5	130.0	(1.9)

In the UK, customer numbers increased by 2.0% to 1.52 million; the first increase for three years. This was an encouraging result in a competitive market, particularly given the tighter credit controls being applied to the acceptance of new customers. It reflects the success of increased marketing expenditure in new sales channels including direct mail, direct response advertising, the internet and affinity relationships with retailers.

Credit issued grew a little more slowly, up 1.5% on 2005 to £940.8 million (2005 £926.5 million). However, this was achieved against 2005 volumes which benefited from the increased issue of larger loans repayable over 18 months to two years. Reported revenue declined by 0.4%, but after adjusting for the 53rd week included in the 2005 financial year, grew by 1.8% on a like-for-like basis. Revenue growth was lower than the growth in average receivables of 7.6% because of the increased issue during 2005 of larger loans which are repayable over a longer period and so carry a lower effective interest rate.

As a result of pressure on customers' disposable incomes, impairment rose to 31.0% of revenue up from 29.7% in 2005. Statistical credit management techniques and arrears management processes have been enhanced in order to balance growth and credit quality as the business pursues profitable customer growth in a tough environment. It is estimated that since May the enhanced credit management processes have declined over 50,000 customer applications which would otherwise have been accepted.

Despite additional marketing expenditure of approximately £4.0 million, operating costs reduced by 3.1% to £240.0 million (2005 £247.6 million) including the benefit from a one-off £5.5 million pension credit in respect of changes to members' commutation rights together with tighter cost controls. Improving cost efficiency remains a priority and the integration of the Greenwood Personal Credit field management and administration into Provident Personal Credit was completed in the first half of the year. In addition, the 'Insight' programme to develop hand-held personal computers for agents and field staff is expected to begin roll-out during 2007. As well as increasing efficiency through the replacement of paper-driven processes, the technology will also increase agent effectiveness through, for example, more flexible agent working and on-line credit checks.

Overall, profits reduced by 1.9% to £127.5 million (2005 £130.0 million) mainly as a consequence of investment in new sales channels and higher impairment charges.

Vanquis Bank

	2006 £m	2005 £m	Change %
Customer numbers ('000)	251	160	57
Average customer receivables	77.3	42.5	82
Revenue	34.2	17.8	92
Impairment	(19.4)	(12.4)	(57)
Revenue less impairment	14.8	5.4	174
Impairment % revenue	*56.7%*	*69.7%*	
Costs	(30.0)	(20.0)	(50)
Interest	(3.1)	(1.3)	(139)
Loss before tax	(18.3)	(15.9)	(15)

2006 was Vanquis Bank's second full year of operation. Customer numbers ended the year at 251,000, an increase of 57% over the previous year. During the year, the internet has been developed as a sales channel and customer recruitment from this source is now a valuable supplement to the primary direct mail channel.

Average receivables grew by 82% to £77.3 million (2005 £42.5 million), and revenue by 92% to £34.2 million (2005 £17.8 million). These growth rates exceed customer number growth because of the strategy to increase customers' credit limits as they develop a satisfactory payment history.

Impairment as a percentage of revenue has reduced from 69.7% in 2005 to 56.7%. The improvement has arisen from the focus on the development and application of more rigorous underwriting criteria, increased resources dedicated to collections and increased pricing on new business written during 2006.

Costs, which comprise customer acquisition costs and operating costs, increased by 50% to £30.0 million (2005 £20.0 million). This is significantly less than the increase in revenue and as volumes continue to grow, the business will continue to benefit from leveraging its established operational cost base.

Towards the end of 2006, Vanquis Bank re-priced its assets and all new business now reflects a typical APR of 39.9%. At the same time, a number of larger banks have stepped back from the non-prime market because of concerns over pricing and the need to focus on their more significant prime portfolios. This provides Vanquis Bank with an enhanced opportunity to develop its position in the UK non-prime credit card segment.

The loss before tax in 2006 increased to £18.3 million (2005 £15.9 million). Volume growth and the re-pricing of assets referred to above leaves the business well placed to trade at around breakeven for 2007 as a whole.

Motor insurance

	2006 £m	2005 £m	Change %
Policyholders ('000)	490	473	3.6
Revenue^	158.0	154.7	2.1
Costs	(131.8)	(134.4)	1.9
Underwriting profit	26.2	20.3	29.1
Combined ratio	*83%*	*87%*	
Investment income	18.1	21.6	(16.2)
Profit before tax and yesinsurance.co.uk	44.3	41.9	5.7
yesinsurance.co.uk	(3.3)	(1.9)	(73.7)
Profit before tax	41.0	40.0	2.5
Average investment fund	370	427	(13.3)
Investment yield	4.9%	5.0%	

^ *Excludes £2.9 million of revenue in respect of yesinsurance.co.uk (2005 £nil).*

The motor insurance business delivered an excellent performance in a highly competitive UK motor insurance market. Average premiums on non-comprehensive rates increased by 2.6% during the year, whilst comprehensive rates remained flat. The business continued its policy of pricing for an adequate return on equity, and increased its base premiums whilst making selective changes to improve competitiveness on certain, more profitable, parts of the business. During the latter part of 2006 market prices began to improve and this has continued into the new year.

Policyholders increased during the year, up by 3.6% to 490,000 (2005 473,000) benefiting from new product and pricing initiatives and development of the new internet-based distribution channel, yesinsurance.co.uk. Revenue increased by 2.1% to £158.0 million (2005 £154.7 million).

Previous years' claims provisions have continued to develop favourably and have benefited underwriting profit by £42.7 million (2005 £24.9 million).

The average investment fund fell by 13.3% to £370 million (2005 £427 million) and yielded income of £18.1 million (2005 £21.6 million) at an average investment yield of 4.9% (2005 5.0%).

Yesinsurance.co.uk is making encouraging progress at this early stage. The business sold 75,000 policies, 33,000 of which were underwritten by our motor insurance business. The start-up losses during the year were £3.3 million (2005 £1.9 million), in line with our expectations.

Overall, profit for the year from the motor insurance business, including yesinsurance.co.uk, was £41.0 million, a 2.5% increase on last year (2005 £40.0 million).

Yes Car Credit

Collections progressed well at Yes Car Credit with total cash collected of £147.8 million during the year. Receivables now stand at £108.6 million, down from £235.3 million at the end of 2005. The business made a small loss for the year of £1.5 million (2005 loss of £24.6 million).

International

Percentage and monetary changes for credit issued, average net customer receivables, revenue, impairment and costs are calculated after restating prior year figures at the current year average exchange rate in order to present a like-for-like comparison. Percentage changes for profit are based on reported figures.

		2006 £m	2005 £m	Change £m
Central Europe	- Home credit+	68.8	61.4	7.4
	- New products	(3.1)	(0.7)	(2.4)
Total Central Europe		65.7	60.7	5.0
Central UK divisional overheads+		(7.4)	(6.5)	(0.9)
Total established countries		58.3	54.2	4.1
Investment in new countries:				
Mexico+		(9.7)	(3.1)	(6.6)
Romania		(2.4)	-	(2.4)
Total new countries		(12.1)	(3.1)	(9.0)
Total international profit before tax		46.2	51.1	(4.9)

\+ *The allocation of central UK divisional overheads has changed during 2006 to reflect more accurately the costs attributable to Central Europe, Mexico and Romania. The impact of this in 2006 is to reduce profit in Central Europe by £3.9 million, increase the loss in Mexico by £0.5 million and reduce central UK divisional overheads by £4.4 million. The results shown above for 2005 have been restated to reflect the results as though a similar basis of cost allocation had been adopted. Accordingly, the 2005 profit in Central Europe has been reduced by £3.5 million, the 2005 loss in Mexico has been increased by £0.2 million and the central UK divisional overheads in 2005 have been reduced by £3.7 million. These changes have no impact on reported group or international profits.*

The key aims for Central Europe in 2006 were to successfully introduce a rate cap compliant product into Poland and to drive down impairment as a percentage of revenue through the deployment of improved credit management and collections processes. These targets were met and although, as planned, customer numbers and credit issued reduced, sound foundations were laid for future profitability.

The core Central European operation increased profit by £5.0 million to £65.7 million (2005 £60.7 million). This increase is after absorbing a £3.1 million (2005 £0.7 million) cost of testing new monthly home-collected and remotely collected loan products in Poland and the Czech Republic, and after a £3.7 million reduction in profit from changes to administrative procedures and the status of agents required by the Hungarian regulator which resulted in a suspension of lending for a seven-week period.

It is very encouraging that the Central European operation finished the year strongly after restoring the quality of the Polish receivables book in the late summer and overcoming the temporary suspension of lending in Hungary.

2006 also saw the international business step up its expansion programme through developing the Mexican market, launching a pilot operation in Romania in early 2006 and researching the potential opportunities for new country openings in 2007 and beyond. Investment in start-up losses in new countries cost £12.1 million, an increase of £9.0 million on 2005, which comprised losses in Mexico of £9.7 million (2005 £3.1 million) and Romania of £2.4 million (2005 £nil).

Central divisional overheads increased by £0.9 million to £7.4 million during the year as the business continues to gear itself up for the demerger and expansion into new territories.

Central Europe

	2006 £m	2005 £m	2005 CER* £m	Change %
Customer numbers (‘000)	1,523	1,646	1,646	(7.5)
Credit issued	474.9	522.3	529.3	(10.3)
Average customer receivables	292.9	275.9	280.9	4.3
Revenue	338.6	347.9	353.0	(4.1)
Impairment	(90.6)	(128.8)	(131.4)	31.1
Revenue less impairment	248.0	219.1	221.6	11.9
Impairment % revenue	*26.8%*	*37.0%*	*37.2%*	
Costs	(164.1)	(140.1)	(141.7)	(15.8)
Interest	(18.2)	(18.3)	(18.4)	1.1
Profit before tax	65.7	60.7	61.5	8.2

* restated at constant exchange rates

The key operational metrics by country are as follows:

	Poland		Czech Republic and Slovakia		Hungary	
	2006	2005*	2006	2005*	2006	2005*
Customer numbers (‘000)	854	968	385	372	284	306
Growth	*(11.8%)*	*2.9%*	*3.5%*	*12.0%*	*(7.2%)*	*21.9%*
Credit issued (£m)	235.6	291.8	136.6	132.2	102.7	105.3
Growth	*(19.3%)*	*4.2%*	*3.3%*	*13.6%*	*(2.5%)*	*27.3%*
Average receivables (£m)	159.2	165.9	76.7	64.5	57.0	50.5
Growth	*(4.0%)*	*11.8%*	*18.9%*	*20.1%*	*12.9%*	*50.7%*
Revenue (£m)	185.0	211.7	83.0	76.0	70.6	65.3
Growth	*(12.6%)*	*10.0%*	*9.2%*	*18.0%*	*8.1%*	*48.4%*
Impairment (£m)	56.0	90.6	17.4	23.3	17.2	17.5
Impairment % revenue	30.3%	42.8%	21.0%	30.7%	24.4%	26.8%

* restated at constant exchange rates

Poland

The Polish business experienced a deterioration in credit quality following the rapid expansion of credit in late 2004 and early 2005. The response during 2006 was to restore the balance between credit quality, costs and growth by tightening lending criteria, including the upgrading of the behavioural scoring system, and focusing the agent force on collections. Progress in Poland was affected by the need to reconfigure the home credit product to comply with the cap on interest rates introduced in February 2006. The impact of these measures is a better quality business albeit with a reduction in customer numbers, credit issued and revenues in 2006. At the same time, improved lending decisions and the restoration of the quality of the receivables book by late summer 2006 has resulted in very significant improvements in impairment as demonstrated by the reduction in the charge from 42.8% of revenue in 2005 to 30.3% in 2006.

Overall, the 2006 profit contribution from Poland, after the cost of new product development, was little changed on 2005. The business now has a strong foundation and under new leadership is executing a plan to restore customer growth. During the last quarter of 2006, there was an expansion of field operations, including the introduction of 1,000 more agents and 150 development managers and an increase in direct marketing. There are now early signs of a lift in new customer volumes.

Czech Republic and Slovakia

The primary focus in the Czech Republic and Slovakia over the last two years has been on extending larger loans to lower risk customers and continuing to improve credit quality. Accordingly, whilst customer numbers continued to grow, average receivables and revenue have grown faster. At the same time, the initiatives to improve credit quality have proved effective. This is evidenced by the reduction in impairment from 30.7% of revenue in 2005 to 21.0% in 2006.

The profit contribution from Czech Republic and Slovakia increased sharply in 2006.

Hungary

The main influence on the Hungarian performance in 2006 was the temporary suspension of lending imposed by the Hungarian regulator which required the business to make certain changes to administrative procedures and change the status of agents from self-employed to employed. The period of suspension lasted seven weeks during which time agents continued to collect on existing loans in the normal way. Lending resumed on 6 December 2006 and the volume of lending in the pre-Christmas period was very strong.

The reduction in customer numbers and credit issued in 2006 is wholly attributable to this temporary disruption to lending and growth is fully expected to resume in 2007. Average receivables still showed year-on-year growth which drove an 8.1% increase in revenues. Hungary has consistently displayed good credit quality and saw impairment reduce from 26.8% of revenue in 2005 to 24.4% in 2006.

The profit contribution from Hungary declined slightly in 2006. The adverse impact of the temporary suspension of lending was £3.7 million taking into account lost customer revenue, increased costs arising from the transfer of agents to employed status and other ancillary costs of implementing the required changes. In 2007, the cost is expected to rise to £6 million, predominantly relating to the cost of employing agents.

Central European costs

Central European costs have increased by 15.8% to £164.1 million. A significant proportion reflects increased marketing activity, increased field resource levels and the introduction of a centralised collections function in Poland. In addition, all countries have incurred higher depreciation charges following the roll-out of new field IT systems during 2006.

Mexico

	2006 £m	2005 £m	CER* 2005 £m	Change %
Customer numbers (‘000)	252	131	131	92
Credit issued	48.1	22.6	21.4	125
Average customer receivables	14.5	5.8	5.4	169
Revenue	26.4	10.7	10.0	164
Impairment	(12.5)	(3.6)	(3.4)	(268)
Revenue less impairment	13.9	7.1	6.6	111
Impairment % revenue	*47.3%*	*33.6%*	*34.0%*	
Costs	(21.2)	(9.2)	(8.8)	(141)
Interest	(2.4)	(1.0)	(0.9)	(167)
Loss before tax	(9.7)	(3.1)	(3.1)	(213)

* restated at constant exchange rates

The Mexican operation has continued to roll-out the agent and branch infrastructure across the first region of Puebla-Veracruz and augmented this by opening in Guadalajara-Leon, the second of five regions with a population of about 20 million.

Customer numbers increased by 92% from 131,000 at the end of 2005, served by 2,200 agents from 16 branches, to 252,000 at the end of 2006, served by 5,200 agents from 34 branches. This pace of growth was the fastest of any new country and during 2006 evidence of high agent and field staff turnover and higher than planned impairment indicated that a period of consolidation was needed. Accordingly, since mid 2006, further branch openings have been deferred, credit controls have been tightened and actions taken to strengthen management and reduce agent and field staff turnover. There are early signs that this package of measures is improving the performance of the business.

Romania

The Romanian pilot operation recruited 6,000 customers during the year and is progressing well and in line with expectations. The investment in start-up losses in the year was £2.4 million. A decision on national roll-out is scheduled for 2007.

Further expansion

Research into new countries is well advanced.

Consolidated income statement for the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Revenue	2	1,180.8	1,337.5
Finance income		25.3	27.7
Total income		1,206.1	1,365.2
Finance costs		(69.8)	(61.9)
Operating costs		(637.4)	(861.0)
Administrative expenses		(318.7)	(401.9)
Total costs		(1,025.9)	(1,324.8)
Profit before taxation	2	180.2	40.4
Profit before taxation and exceptional costs	2	191.3	181.4
Exceptional costs - Demerger costs	2	(11.1)	-
- Yes Car Credit closure costs	2	-	(141.0)
Profit before taxation	2	180.2	40.4
Tax expense – UK		(37.9)	(28.1)
Tax expense – Overseas		(17.4)	(12.3)
Total tax expense	3	(55.3)	(40.4)
Profit after taxation attributable to equity shareholders		124.9	-

	Notes	2006	2005
Earnings per share			
Basic	4	49.00p	-
Diluted	4	48.83p	-
Dividends per share			
Proposed final dividend	5	22.02p	21.37p
Total dividend in respect of the year	5	36.50p	35.43p
Paid in the year*	5	35.85p	34.81p

* The total cost of dividends paid in the year was £91.4m (2005 £88.6m)

Consolidated statement of recognised income and expense for the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Profit after taxation attributable to equity shareholders		124.9	-
Exchange (losses)/gains on foreign currency translations		(0.2)	2.7
Net fair value gains/(losses) – cash flow hedges		0.2	(5.0)
Actuarial losses on retirement benefit asset/obligations	10	(0.3)	(20.1)
Tax (charge)/credit on items taken directly to equity		(0.1)	7.5
Net expense recognised directly in equity	11	(0.4)	(14.9)
Total recognised income/(expense) for the year	11	124.5	(14.9)

Consolidated balance sheet as at 31 December 2006

	Notes	2006 £m	2005 £m
ASSETS			
Non-current assets			
Goodwill	6	3.1	3.1
Other intangible assets		30.0	27.5
Property, plant and equipment		58.7	42.8
Retirement benefit asset	10	8.9	-
Deferred income tax assets		30.8	64.5
		131.5	137.9
Current assets			
Inventories		-	7.4
Financial assets:			
- Amounts receivable from customers:			
- due within one year	7	1,103.2	952.8
- due in more than one year	7	129.5	321.1
- Derivative financial instruments		2.7	9.0
- Cash and cash equivalents		438.8	451.9
Trade and other receivables		30.6	32.9
Insurance assets		56.2	65.4
Current income tax assets		8.1	0.9
		1,769.1	1,841.4
Total assets		1,900.6	1,979.3
LIABILITIES			
Current liabilities			
Financial liabilities:			
- Bank and other borrowings		(87.4)	(35.2)
- Derivative financial instruments		(44.1)	(30.1)
Trade and other payables		(114.1)	(126.0)
Insurance accruals and deferred income	8	(328.3)	(359.2)
Current income tax liabilities		(37.3)	(33.4)
Provisions	9	(1.8)	(16.2)
		(613.0)	(600.1)
Non-current liabilities			
Financial liabilities:			
- Bank and other borrowings		(933.6)	(947.7)
Provisions	9	-	(8.5)
Retirement benefit obligations	10	-	(105.6)
		(933.6)	(1,061.8)
Total liabilities		(1,546.6)	(1,661.9)
NET ASSETS		354.0	317.4
SHAREHOLDERS' EQUITY			
Called-up share capital	11	26.5	26.5
Share premium account	11	110.8	107.7
Other reserves	11	5.7	5.5
Retained earnings	11	211.0	177.7
TOTAL EQUITY	11	354.0	317.4

Consolidated cash flow statement for the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Cash flows from operating activities			
Cash generated from operations		109.7	68.2
Finance costs paid		(67.0)	(60.8)
Finance income received		25.9	27.8
Income tax paid		(24.9)	(53.2)
Net cash generated from/(used in) operating activities		43.7	(18.0)
Cash flows from investing activities			
Purchases of property, plant and equipment		(33.3)	(20.9)
Proceeds from sale of property, plant and equipment		4.6	3.2
Purchases of intangible assets		(6.0)	(9.8)
Acquisition of a subsidiary	6	-	(19.1)
Net cash used in investing activities		(34.7)	(46.6)
Cash flows from financing activities			
Proceeds from borrowings		225.7	161.8
Repayment of borrowings		(161.7)	(60.9)
Dividends paid to company shareholders	5	(91.4)	(88.6)
Proceeds from issue of share capital		3.1	2.3
Proceeds from sale of treasury shares		2.3	0.7
Net cash (used in)/generated from financing activities		(22.0)	15.3
Net decrease in cash and cash equivalents		(13.0)	(49.3)
Cash and cash equivalents at beginning of period		444.4	493.5
Exchange gains on cash and cash equivalents		0.2	0.2
Cash and cash equivalents at end of period		431.6	444.4
Cash and cash equivalents at end of period comprise:			
Cash at bank and in hand		61.9	54.6
Short-term deposits		376.9	397.3
Cash and cash equivalents		438.8	451.9
Overdrafts (held in bank and other borrowings)		(7.2)	(7.5)
		431.6	444.4

The cash and short-term deposits held by those businesses that are regulated are required to be strictly segregated from those of the rest of the group and are not available to repay group borrowings. At 31 December 2006 the cash and short-term deposits held by the group's regulated businesses amounted to £387.2m (31 December 2005 £404.5m). All short-term deposits have a maturity of three months or less on acquisition.

Consolidated cash flow statement for the year ended 31 December 2006 (continued)

Reconciliation of profit after taxation to cash flows from operations

	2006 £m	2005 £m
Profit after taxation	124.9	-
Adjusted for:		
Tax expense	55.3	40.4
Finance costs	69.8	61.9
Finance income	(25.3)	(27.7)
Share-based payment (credit)/charge	(1.9)	3.2
Pension (credit)/charge (note 10)	(5.5)	10.1
Depreciation of property, plant and equipment	12.6	12.2
Impairment of property, plant and equipment (note 2)	-	4.6
Amortisation of intangible assets	24.4	23.0
Impairment of goodwill (note 6)	-	91.0
Profit on sale of property, plant and equipment	(0.1)	-
Changes in operating assets and liabilities:		
Inventories	7.4	9.2
Amounts receivable from customers	36.5	(67.0)
Trade and other receivables	1.1	-
Insurance assets	(11.7)	3.1
Trade and other payables	(14.0)	0.6
Insurance accruals and deferred income	(30.9)	(65.7)
Retirement benefit asset/obligations	(109.3)	(54.4)
Derivative financial instruments	(0.7)	(1.0)
Provisions	(22.9)	24.7
Cash generated from operations	109.7	68.2

Notes to the preliminary announcement

1. Basis of preparation

The preliminary announcement has been prepared in accordance with the Listing Rules of the Financial Services Authority and is based on the 2006 financial statements which have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The preliminary announcement 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 2005 have been filed with the Registrar of Companies. The auditors have reported on those financial statements and on the statutory financial statements for the year ended 31 December 2006, which will be filed with the Registrar of Companies following the annual general meeting. Both the audit reports were unqualified and did not contain any statement under sections 237 (2) or (3) of the Companies Act 1985.

The preliminary announcement has been agreed with the company's auditors for release.

2. Segment information

Primary reporting format – business segments

		Revenue		Profit before taxation	
		2006	2005	2006	2005
		£m	£m	£m	£m
UK home credit*		576.7	578.9	127.5	130.0
Vanquis Bank		34.2	17.8	(18.3)	(15.9)
Motor insurance		160.9	154.7	41.0	40.0
Yes Car Credit		43.7	227.5	(1.5)	(24.6)
Total UK operations		815.5	978.9	148.7	129.5
International	- Established countries	338.6	347.9	58.3	54.2
	- New countries+	26.7	10.7	(12.1)	(3.1)
Total international		365.3	358.6	46.2	51.1
Central	- Costs	-	-	(6.0)	(8.3)
	- Interest receivable*	-	-	2.4	9.1
Total central		-	-	(3.6)	0.8
		1,180.8	1,337.5	191.3	181.4
Demerger costs		-	-	(11.1)	-
Yes Car Credit closure costs		-	-	-	(141.0)
Total group		1,180.8	1,337.5	180.2	40.4

+ new countries comprise Mexico and Romania

* The allocation of the group's interest charge to UK home credit has been changed during 2006 to reflect revised borrowings based on an average ratio of borrowings to UK home credit receivables of 80%. The impact of this in 2006 is to reduce profit in UK home credit by £12.0m and reduce the interest cost held centrally by £12.0m. 2005 results have been restated onto a comparable basis resulting in a reduction in UK home credit profit in 2005 of £16.3m and a reduction in the interest cost held centrally of £16.3m. These changes have no impact on reported group profits in either 2006 or 2005.

All of the above activities relate to continuing operations as defined in IFRS 5.

Consistent with the treatment in the 2005 financial statements, 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.

As announced on 17 January 2007, the group is progressing the sale of the motor insurance business. Discussions with potential acquirers are proceeding satisfactorily and the board expects to complete the sale of the business before the proposed demerger becomes effective. As at the group balance sheet date, the motor insurance business did not meet the IFRS 5 criteria of an asset held for resale and, therefore, the business has been classified as part of continuing operations.

Demerger costs represent costs incurred to date in preparing for the demerger of the international business from the remainder of the group. The costs comprise £6.4m of professional fees and £4.7m of other separation costs. All of the demerger costs have been classified as administrative expenses within the consolidated income statement. £6.9m of the demerger costs relate to central with the remaining £4.2m relating to international. The tax credit in respect of demerger costs was £1.1m.

The Yes Car Credit closure costs in 2005 comprise £91.0m of goodwill impairment (note 6), £14.9m of provisions for onerous property obligations (note 9), £14.4m additional impairment charge on customer receivables following closure (note 7), £10.1m provision for redundancy costs (note 9), £4.6m of impairment to property, plant and equipment, £2.0m of inventory write downs and £4.0m of other costs. Of the total closure costs, £40.1m has been classified as operating costs and £100.9m has been classified as administrative expenses within the consolidated income statement. The tax credit in respect of Yes Car Credit closure costs was £12.8m.

Secondary reporting format – geographical segments

	Revenue		Profit before taxation	
	2006	2005	2006	2005**
	£m	£m	£m	£m
UK and Republic of Ireland	815.5	978.9	137.7	123.8
Central Europe	338.6	347.9	65.7	60.7
Mexico	26.4	10.7	(9.7)	(3.1)
Romania	0.3	-	(2.4)	-
	1,180.8	1,337.5	191.3	181.4
UK and Republic of Ireland:				
Demerger costs	-	-	(11.1)	-
Yes Car Credit closure costs	-	-	-	(141.0)
Total group	1,180.8	1,337.5	180.2	40.4

** The allocation of international central UK divisional overheads has changed during 2006 to reflect more accurately the costs attributable to Central Europe, Mexico and Romania. The impact of this in 2006 is to reduce profit in Central Europe by £3.9m, increase the loss in Mexico by £0.5m and reduce costs in UK and Ireland by £4.4m. The results shown above for 2005 have been restated to reflect the results as though a similar basis of cost allocation had been adopted. Accordingly, the 2005 profit in Central Europe has been reduced by £3.5m, the 2005 loss in Mexico has been increased by £0.2m and costs in UK and Ireland in 2005 have been reduced by £3.7m. These changes have no impact on reported group or international profits.

3. Tax expense

		2006 £m	2005 £m
Current tax	- UK	(2.0)	10.8
	- Overseas	23.8	19.3
Total current tax		21.8	30.1
Deferred tax	- UK	39.9	17.3
	- Overseas	(6.4)	(7.0)
Total deferred tax		33.5	10.3
Total tax expense		55.3	40.4

The tax charge/(credit) on items taken directly to equity is as follows:

	2006 £m	2005 £m
Current tax charge/(credit) on net fair value gains/(losses) – cash flow hedges	0.2	(1.5)
Deferred income tax credit on actuarial losses on retirement benefit obligations	(0.1)	(6.0)
Total tax charge/(credit) on items taken directly to equity	0.1	(7.5)

The rate of tax expense on the profit before taxation for the year is higher than (2005 higher than) the standard rate of corporation tax in the UK (30%). The differences are explained as follows:

	2006 £m	2005 £m
Profit before taxation	180.2	40.4
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%)	54.1	12.1
Effects of:		
Adjustment in respect of prior years	(3.4)	(3.7)
Adjustment in respect of foreign tax rates	(7.1)	(10.0)
Expenses not deductible for tax purposes	7.6	8.0
Impairment of goodwill not deductible for tax purposes	-	27.3
Overseas taxable dividends	4.1	6.7
Total tax expense	55.3	40.4

4. 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 year, excluding those shares held by the Provident Financial Qualifying Employee Share Ownership Trust and in respect of the Performance Share Plan.

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	2006			2005		
	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	124.9	254.9	49.00	-	254.3	-
Dilutive effect of options	-	0.9	(0.17)	-	0.6	-
Diluted EPS	124.9	255.8	48.83	-	254.9	-

The directors have elected to show an adjusted EPS prior to demerger costs in 2006 and Yes Car Credit closure costs in 2005. This is presented to show the EPS generated by the group's underlying operations. A reconciliation of basic and diluted EPS to adjusted and adjusted diluted EPS is as follows:

	2006			2005		
	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	124.9	254.9	49.00	-	254.3	-
Demerger costs, net of tax credit	10.0	-	3.92	-	-	-
Yes Car Credit closure costs, net of tax	-	-	-	128.2	-	50.41
Adjusted EPS	134.9	254.9	52.92	128.2	254.3	50.41
Diluted EPS	124.9	255.8	48.83	-	254.9	-
Demerger costs, net of tax credit	10.0	-	3.91	-	-	-
Yes Car Credit closure costs, net of tax credit	-	-	-	128.2	-	50.29
Adjusted diluted EPS	134.9	255.8	52.74	128.2	254.9	50.29

5. Dividends paid and proposed

	Pence per share	2006 £m	2005 £m
2004 final	– 20.75p	-	52.7
2005 interim	– 14.06p	-	35.9
2005 final	– 21.37p	54.4	-
2006 interim	– 14.48p	37.0	-
Dividends paid		91.4	88.6

The directors are recommending a final dividend in respect of the financial year ended 31 December 2006 of 22.02p per share which will amount to a dividend payment of £56.4m. If approved by the shareholders at the annual general meeting on 16 May 2007, this dividend will be paid on 25 May 2007 to shareholders who are on the register of members at 6 April 2007. This dividend is not reflected in the balance sheet as at 31 December 2006 as it is subject to shareholder approval.

6. Goodwill

	2006 £m	2005 £m
Cost		
At 1 January	94.1	87.8
Additions	-	6.3
At 31 December	94.1	94.1
Accumulated impairment losses		
At 1 January	91.0	-
Impairment on closure of Yes Car Credit	-	91.0
At 31 December	91.0	91.0
Net book value at 31 December	3.1	3.1

The increase of £6.3m in goodwill during 2005 reflected the final settlement of the contingent consideration of £19.1m in respect of the acquisition of Yes Car Credit in 2002.

Following the decision of the directors to close the Yes Car Credit operation on 14 December 2005, the whole of the goodwill in respect of that acquisition, amounting to £91.0m, was impaired in the year ended 31 December 2005.

The remaining balance on goodwill, amounting to £3.1m, relates to the acquisition of N&N Cheque Encashment Limited in 2001.

7. Amounts receivable from customers

	2006 £m	2005 £m
UK home credit	695.6	649.9
Vanquis Bank	97.5	60.0
Yes Car Credit	108.6	235.3
Total UK operations	901.7	945.2
International	331.0	328.7
Total group	1,232.7	1,273.9
Analysed as:		
- due within one year	1,103.2	952.8
- due in more than one year	129.5	321.1
	1,232.7	1,273.9

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

	2006 £m	2005 £m
UK home credit	178.8	171.8
Vanquis Bank	19.4	12.4
Yes Car Credit	22.6	36.8
Total UK operations	220.8	221.0
International	103.1	132.4
Total group	323.9	353.4

In 2005, the Yes Car Credit impairment charge excludes £14.4m of additional impairment which arose as a result of the expected deterioration in collections performance following the closure of the business.

8. Insurance accruals and deferred income

	2006 £m	2005 £m
Provision for unpaid insurance claims	248.6	284.0
Unearned insurance premiums	79.5	74.8
Other deferred income	0.2	0.4
	328.3	359.2

The profit before tax of motor insurance includes £42.7m (2005 £24.9m) in respect of the release of provisions for prior year claims.

9. Provisions

	Onerous property obligations £m	Restructuring provision £m	Total £m
At 1 January 2006	14.9	9.8	24.7
Utilised in the year	(13.1)	(9.8)	(22.9)
At 31 December 2006	1.8	-	1.8

Included in current liabilities	1.8
Included in non-current liabilities	-
	1.8

The onerous property obligation provision was created on closure of Yes Car Credit and related to the estimated costs of exiting the Yes Car Credit property portfolio. The provision was calculated by taking into account the full lease term, any sublet income that was recoverable and the potential for lease assignment. During the year, 26 properties were disposed of at a total cost of £13.1m. The £1.8m provision as at 31 December 2006 relates to the anticipated disposal costs of the remaining four properties.

The restructuring provision related to redundancy and other people related costs following the announcement of the closure of Yes Car Credit on 14 December 2005. The provision covered the redundancy cost of approximately 820 employees. £0.3m of the provision was utilised in 2005 with the remainder, amounting to £9.8m, being fully utilised during 2006.

10. Retirement benefit asset/obligations

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 78% of employees with company provided pension arrangements and are of the funded, defined benefit type providing retirement benefits based on final salary. The assets of the schemes are held in separate, trustee administered funds. 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 plan assets and the present value of the defined benefit obligation were carried out at 1 June 2006 by a qualified independent actuary. The valuation used for the purposes of IAS 19 has been based on the preliminary 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 scheme at 31 December 2006. Scheme assets are stated at fair value at 31 December 2006.

The major assumptions used by the actuary were:

		2006 %	2005 %
Price inflation		3.10	2.80
Rate of increase in pensionable salaries		4.68	4.38
Rate of increase to pensions in payment		3.10	2.80
Discount rate		5.10	4.80
Long term rate of return	– Equities	7.85	7.85
	– Bonds	5.10	4.10
	– Index-linked gilts	4.50	4.10
	– Other	5.25	4.50
	– Overall (weighted average)	6.62	6.74

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. 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 charge to the group income statement would have increased by approximately £0.4m and the defined benefit obligation would have increased by approximately £20.0m.

The amounts recognised in the balance sheet are determined as follows:

	2006 £m	2005 £m
Equities	254.5	226.9
Bonds	22.1	21.9
Index-linked gilts	21.8	21.2
Other	169.5	61.1
Total fair value of scheme assets	467.9	331.1
Present value of funded defined benefit obligations	(459.0)	(436.7)
Net asset/(liability) recognised in the balance sheet	8.9	(105.6)

The amounts recognised in the income statement are as follows:

	2006 £m	2005 £m
Current service cost	(7.6)	(7.2)
Interest cost	(21.0)	(19.6)
Expected return on scheme assets	27.5	16.7
Past service credit	2.2	-
Curtailment credit	4.4	-
Net credit/(expense) recognised in the income statement	5.5	(10.1)

The net credit/(expense) recognised in the income statement has been included within administrative expenses.

From 5 April 2006, changes to the rules of the pension schemes and to the tax applying to pension scheme benefits has meant that in most cases members of the pension schemes will be able to take a larger proportion of their benefits in the form of a cash lump sum at retirement. Due to the terms under which members' pensions are converted into cash lump sums, these changes have led to a £2.2m past service saving relating to deferred members of the pension schemes and a £4.4m curtailment saving relating to active members of the pension schemes.

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

	2006 £m	2005 £m
Fair value of scheme assets at 1 January	331.1	231.4
Expected return on assets	27.5	16.7
Actuarial gains on scheme assets	7.1	30.3
Contributions by the group	109.3	54.4
Contributions paid by scheme participants	3.5	3.8
Net benefits paid out	(10.6)	(5.5)
Fair value of scheme assets at 31 December	467.9	331.1

During 2005, the group made additional special contributions of £13.0m in May 2005 and £31.0m in December 2005. The group made a further additional special contribution of £102.2m in January 2006 in order to ensure that the defined benefit pension schemes were fully funded based on the June 2005 deficit position. The increase in the group's interest payable after funding the deficit is broadly offset by a reduction in the IAS 19 pension charge to the group's income statement.

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

	2006	2005
	£m	£m
Defined benefit obligation at 1 January	(436.7)	(361.2)
Current service cost	(7.6)	(7.2)
Interest cost	(21.0)	(19.6)
Past service credit	2.2	-
Curtailment credit	4.4	-
Contributions paid by scheme participants	(3.5)	(3.8)
Actuarial losses on scheme liabilities	(7.4)	(50.4)
Net benefits paid out	10.6	5.5
Defined benefit obligation at 31 December	(459.0)	(436.7)

An analysis of amounts recognised in the SORIE is as follows:

	2006	2005
	£m	£m
Actuarial gains on scheme assets	7.1	30.3
Actuarial losses on scheme liabilities	(7.4)	(50.4)
Total loss recognised in the SORIE in the year	(0.3)	(20.1)

11. Consolidated statement of changes in shareholders' equity

	Attributable to equity shareholders of the company				
	Called-up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 January 2005	26.4	105.5	2.4	280.4	414.7
Exchange gains on foreign currency translations	-	-	2.7	-	2.7
Net fair value losses – cash flow hedges	-	-	(5.0)	-	(5.0)
Actuarial losses on retirement benefit obligations	-	-	-	(20.1)	(20.1)
Tax credit on items taken directly to equity	-	-	1.5	6.0	7.5
Net expense recognised directly in equity	-	-	(0.8)	(14.1)	(14.9)
Profit for the period	-	-	-	-	-
Total recognised expense for the period	-	-	(0.8)	(14.1)	(14.9)
Increase in share capital	0.1	-	-	-	0.1
Increase in share premium account	-	2.2	-	-	2.2
Movement in treasury shares	-	-	0.7	-	0.7
Share-based payment charge	-	-	3.2	-	3.2
Dividends	-	-	-	(88.6)	(88.6)
Balance at 31 December 2005	26.5	107.7	5.5	177.7	317.4
Balance at 1 January 2006	26.5	107.7	5.5	177.7	317.4
Exchange losses on foreign currency translations	-	-	(0.2)	-	(0.2)
Net fair value gains – cash flow hedges	-	-	0.2	-	0.2
Actuarial losses on retirement benefit asset/obligations	-	-	-	(0.3)	(0.3)
Tax (charge)/credit on items taken directly to equity	-	-	(0.2)	0.1	(0.1)
Net expense recognised directly in equity	-	-	(0.2)	(0.2)	(0.4)
Profit for the period	-	-	-	124.9	124.9
Total recognised (expense)/income for the period	-	-	(0.2)	124.7	124.5
Increase in share premium account	-	3.1	-	-	3.1
Movement in treasury shares	-	-	2.3	-	2.3
Share-based payment credit	-	-	(1.9)	-	(1.9)
Dividends	-	-	-	(91.4)	(91.4)
Balance at 31 December 2006	26.5	110.8	5.7	211.0	354.0

Information for shareholders

1. The shares will be marked ex-dividend on 4 April 2007.

2. The final dividend will be paid on 25 May 2007 to shareholders on the register at the close of business on 6 April 2007. Dividend warrants/vouchers will be posted on 23 May 2007.

3. The 2006 annual report and financial statements together with the notice of the annual general meeting will be posted to shareholders on or around 29 March 2007.

4. 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.

5. The annual general meeting will be held on 16 May 2007 at the Marriott Hollins Hall Hotel and Country Club, Hollins Hill, Baildon, Shipley, West Yorkshire, BD17 7QW.