Provident Financial plc
Interim results for the half-year to 30 June 2007

H I G H L I G H T S

Provident Financial plc ("Provident Financial") is the market-leading provider of home credit in the UK and Ireland, with a successful, developing credit card business. Following the recent demerger of the International business, its ongoing UK operations comprise UK home credit and Vanquis Bank. However, as the demerger was completed after 30 June 2007, the results of International for the first half of 2007 are included as a continuing operation within the Provident Financial group for the purposes of these statements.

Key financial results

	H1 2007 £m	H1 2006 £m	Change
Ongoing UK operations			
Profit before tax and exceptional items(1)	38.2	32.0	19.4%
Continuing operations (comprising ongoing UK operations and International)			
Profit before tax and exceptional items(1)	56.3	47.0	19.8%
Earnings per share (pre-exceptional items)	15.38p	12.80p	20.2%
Earnings per share (basic)	10.97p	12.80p	(14.3%)
Interim dividend per share (2)	25.40p		

(1) Exceptional items comprise demerger costs totalling £11.8m incurred in the first half of 2007 (2006 nil).

(2) after adjusting for the recent 1-for-2 consolidation of Provident Financial shares and taking into account the 1.90p per share interim dividend declared today by International Personal Finance plc, the aggregate interim dividend per share represents an increase of 0.8% on the interim dividend of 14.48p per share paid by Provident Financial in 2006.

Highlights

Group

- Restructuring of the group complete following the sale of Provident Insurance for £170.5m in June, generating a post-tax profit on sale of £68.4m, and the demerger of the International business in July
- Pre-tax profit from ongoing UK operations up by 19.4% to £38.2m reflecting the strong progress made at Vanquis Bank, and maintained profits at UK home credit

UK home credit

- Growth in customer numbers of 1% and average customer receivables of 6.5% supported by continuing success of marketing through direct mail and internet channels, despite tightened underwriting criteria
- Impairment charge held at similar level to last year
- Real Personal Finance brand launched

Vanquis Bank

- Strong improvement in performance at Vanquis Bank, with customer numbers up by 36.3% to 289,000 and revenue doubling compared with the first half of 2006
- Progress reinforced by successful re-pricing of the book at the end of 2006, tightened underwriting criteria and strengthened arrears process
- Moved into monthly profit in June and on track to trade at around break-even for 2007 as a whole

Peter Crook, Chief Executive of Provident Financial, commented:

"Provident Financial has had a good first half, with Vanquis Bank in particular benefiting from the management actions executed towards the end of 2006 to place it on a sounder commercial footing. We remain confident that Vanquis Bank will trade at around break-even for 2007 as a whole, in comparison to the full year loss of £18.3m in 2006.

UK home credit continues to perform well. The restoration of customer and revenue growth over the last eighteen months, combined with the benefits of tight credit management and improvement to the arrears processes introduced during 2006, have allowed further investment in new technology and marketing whilst maintaining profits."

John van Kuffeler, Chairman of Provident Financial commented:

"During 2007, Provident Financial has seen some of the most significant changes in its history. The successful sale of Provident Insurance and the subsequent demerger of the International business means that Provident Financial is now on a sound and focussed footing, well positioned to take advantage of changing conditions in the UK non-standard lending market and to develop a broader range of simple and affordable credit products.

Provident Financial is totally unaffected by the crisis in the credit markets and we are confident that our continuing UK operations will deliver good profits growth for 2007 as a whole."

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Chairman's statement

2007 has seen some of the most significant changes in Provident Financial's long and successful history. The completion on 15 June 2007 of the sale of Provident Insurance for a gross consideration of £170.5m, and the subsequent demerger of the International business on 16 July 2007, leaves Provident Financial able to focus on its objective of developing a broader portfolio of simple and affordable credit products for the UK non-standard lending market.

I am therefore very pleased to report that the ongoing UK operations of Provident Financial, comprising UK home credit, Vanquis Bank and the run-off of the Yes Car Credit receivables, have all had a good first half. Profit before tax and exceptional items from these operations increased by 19.4% to £38.2m.

As the demerger was completed after 30 June 2007, the results of International for the first half of 2007 are included as a continuing operation within the Provident Financial group for the purposes of these statements. Profit before tax and exceptional items for the group as a whole increased by 19.8% to £56.3m.

The directors of both Provident Financial and International Personal Finance have stated their intention, in the absence of unforeseen circumstances, to pay an aggregate level of dividends per share in 2007 that is at least equal to the amount of 36.50p per share paid in 2006. The long standing policy to pay approximately 40% as an interim dividend has been retained and Provident Financial has therefore declared an interim dividend of 25.40p per share, equivalent to 12.70p after taking account of the recent 1-for-2 share consolidation. Similarly, International Personal Finance has declared an interim dividend of 1.90p per share.

Market conditions

Economic conditions for households on average or below average incomes in the UK remain challenging, with continued pressures being seen from rising food, domestic fuel and utility bills. However, the weekly visit from the home credit agent, our national network of branches and the outbound calling capacity of the Vanquis Bank call centre ensure that we remain uniquely placed to react quickly to changing circumstances and make appropriate adjustments to our underwriting criteria and arrears management.

There continues to be a general tightening of lending criteria by mainstream credit providers, and there is evidence that some lenders are withdrawing from the non-standard credit card market in order to protect their prime brands, rather than have them associated with higher APRs. These factors present an increasing market opportunity for the group, both through its existing products in UK home credit and Vanquis Bank, but also through the development of a broader range of credit products.

It is important to note that the majority of our customers do not have mortgages and have lower levels of other unsecured personal debt than is generally the case in the mainstream marketplace. Consequently, the recent rises in UK interest rates, increased availability of lower-cost Individual Voluntary Arrangements and bankruptcy solutions for unsecured debts, and the volatility seen in the US sub-prime mortgage markets are not factors which have any impact on Provident Financial.

Similarly, the group does not sell any payment protection insurance products, and is therefore not exposed to the outcome of the current Competition Commission inquiry into that area.

Operations

UK home credit

	H1 2007 £m	H1 2006 £m	Change %
Customers numbers ('000)	1,486	1,472	1.0
Credit issued	393.1	390.8	0.6
Average customer receivables	630.0	591.7	6.5
Revenue	292.0	289.6	0.8
Impairment	(107.4)	(106.4)	(0.9)
Revenue less impairment	184.6	183.2	0.8
Costs	(120.4)	(121.2)	0.7
Interest	(17.2)	(15.0)	(14.7)
Profit before tax	47.0	47.0	-

The medium-term prospects for UK home credit have improved in the last twelve months. Increased investment in marketing, particularly through newer channels such as the internet and direct mailing, together with favourable developments in the competitive environment, have continued to stimulate increased levels of demand for home credit.

We have invested in enhanced credit management to maintain the quality of the receivables book in the face of challenging market conditions, and to reduce the level of annual customer turnover over time. Over 50,000 applications for credit were rejected in the first half of 2007 as a result of our enhanced pre-screening credit processes. Many of these would previously have been accepted. As a result, we have been able to hold impairment flat at 31.0% of revenue on an annualised basis.

Notwithstanding this prudent underwriting approach, overall customer numbers grew by 1% in the twelve months to June 2007, providing further evidence that the trend of decline seen from 2002 to 2005 has been reversed. Customer receivables have grown at a faster rate, up 6.5% compared to the first half of 2006. This is partly due to the impact of longer larger loans, which now represent almost 17% of credit issued (2006 15%).

Costs remain under tight control, with the cost of investment in new technology such as agent handheld devices being offset by the full-year benefits of the integration of the Provident Personal Credit and Greenwood Personal Credit back offices.

Overall, profit before tax for the first half of 2007 at £47.0m was the same as for the equivalent period in 2006.

We are currently piloting an unsecured direct repayment personal loan product in two locations under the brand name Real Personal Finance. The average loan advance is approximately £3,000 repayable over 36 months. This business represents a logical extension to our product range and, by basing it from our existing national branch network, is not expected to require a material level of incremental investment. We expect to expand this pilot in the second half of 2007 and will provide a more detailed update on the potential for this business at the full year results presentation in March 2008.

We were delighted to welcome Chris Gillespie as Managing Director, UK Consumer Credit in June with responsibility for continuing to develop the UK home credit business. He brings huge experience of consumer finance and specialist lending markets in the UK. He joined the board of Provident Financial upon the demerger.

Vanquis Bank

	H1 2007 £m	H1 2006 £m	Change %
Customers numbers ('000)	289	212	36.3
Average customer receivables	105.0	67.2	56.3
Revenue	27.8	13.9	100.0
Impairment	(12.8)	(8.1)	(58.0)
Revenue less impairment	15.0	5.8	158.6
Costs	(16.6)	(15.4)	(7.8)
Interest	(2.6)	(1.1)	(136.4)
Loss before tax	(4.2)	(10.7)	60.7

During the second half of 2006, a series of management actions were executed to place Vanquis Bank on a sounder commercial footing for its future development, including re-pricing the existing portfolio. Underwriting criteria have also been tightened progressively since 2005 and arrears management processes were strengthened during 2006 in the light of market conditions.

The strong progress shown by the results for the first half of 2007 demonstrates the positive impact on the business of these management actions, with the re-pricing of the existing book at the end of 2006 being implemented without material levels of customer attrition or reductions in credit line utilisation. Credit quality has seen the benefit of the underwriting tightening and the ongoing refinement of both initial lending decisions and subsequent credit line increase decisions. Customer recruitment from both the internet and direct mailing continued to be strong, leading to a 36.3% increase in customer numbers. The combined effect of this growth and the re-pricing of the portfolio led to a doubling of revenue compared to the first half of 2006.

Receivables grew at a faster rate than customer numbers, whilst, as expected, impairment as a percentage of revenue during the first six months fell sharply to 46.0%, compared to 58.3% in 2006. This performance illustrates the benefits of the “low and grow” strategy of granting customers relatively low initial credit lines and then managing credit line increases without compromising impairment. Costs increased at a much lower rate than revenues as the business benefited from additional scale.

The start-up losses in the first half of 2007 at £4.2m were substantially lower than both the £10.7m incurred in the first half of 2006 and the £7.6m incurred in the second half of 2006.

Vanquis Bank moved into monthly profit in June and we remain confident that it will trade at around break-even for the year as a whole.

We recently set out medium-term targets for Vanquis Bank, indicating that we expect it to be able to achieve a portfolio of approximately 500,000 customers and net receivables of £300m earning a post-tax return on equity of 30%.

We are also very pleased that Michael Lenora has joined Vanquis Bank as Managing Director in June. With over 25 years' experience in the non-standard credit card sector in both the USA and in Europe, he is very well qualified to manage Vanquis during its next phase of development through break-even and into profitability.

Yes Car Credit

Net collections totalling £52m were received in the first half of 2007. This was in line with expectations and outstanding receivables now stand at £60.8m compared to £108.6m at the end of 2006. The business is expected to record a small operating loss of approximately £3m in each of 2007 and 2008 as the collection activities are wound down.

Motor insurance

The motor insurance division reported a pre-tax profit of £11.8m for the period up to its disposal on 15 June 2007. In addition to this, a net post-tax profit of £68.4m was reported on disposal.

International

Performance throughout the first half of 2007 was good and marked another six months of significant progress. Profit before tax increased by 20.7% to £18.1m, with the contribution to profit from the established Central European businesses rising to £31.9m compared with £24.9m for the six months to June 2006. Investment in start-up losses in developing the Mexican and Romanian markets was increased from £6.1m in the first half of 2006 to £8.8m in the first half of 2007.

Central Europe

Profit before tax in the first half for Central Europe increased by £7.0m (28.1%), to £31.9m. Customer numbers increased by 1.2% since the year end to 1,542,000 reversing the reduction in customer numbers in 2006 that accompanied the introduction of tighter credit controls. This led to an increase in credit issued of 8.3% compared with the first half of 2006.

The key feature of the first half was the continuation of the improvement in credit quality and reduction in impairment as a result of the introduction of improved credit management techniques in 2006. The impairment charge reduced by £30.2m (46.9%) with annualised impairment as a percentage of revenue at June 2007 of 19.9% compared with 26.8% at the end of 2006.

Developing markets

Mexico continued to show strong customer growth. The customer count stood at 317,000, which represents growth of 65,000 customers or 25.8% since the start of the year.

In Puebla, no new branches have been opened since April 2006 and improved credit quality is the key focus of management attention. Guadalajara continued to perform in line with expectations.

Overall, impairment stabilised and was 46.3% of revenue at June 2007, a slight improvement from the 47.3% reported at the end of 2006. Start-up losses for Mexico during the first half were £6.9m, which compares with a loss of £5.0m last year.

Romania continued to perform well and in line with expectations. At June 2007 it had 17,000 customers, an increase of 11,000 since the end of 2006, and reported a loss of £1.9m, compared with £1.1m in 2006. Credit quality remained good, with impairment running at 5.9% of revenue.

Balance sheet

Pro forma net assets for the ongoing UK group, adjusted for the demerger of IPF, as at 30 June 2007 were £286.1m, as set out below.

	PFplc £m	IPF £m	UK group £m
Receivables	1,154.2	355.2	799.0
Pension asset	68.6	3.5	65.1
Borrowings (including fair value of derivatives)	(844.5)	(262.4)	(582.1)
Other assets	72.5	68.4	4.1
Net assets	**450.8**	**164.7**	**286.1**

The level of pro forma gearing, calculated to exclude the pension scheme asset, as required under our funding facilities, stood at 2.6 times compared to the relevant borrowings covenant of 6.0 times.

The reported level of capital adequacy for the combined group as at 30 June 2007 was 32.8%, benefiting from capital generated by the sale of Provident Insurance during the period. This was comfortably in excess of the limit set by the FSA. The pro forma equivalent ratio after adjusting for the demerger of IPF was 37.2%.

As reported at the time of the demerger, in the light of its high dividend payout ratio the company has retained surplus capital of some £80m to fund growth opportunities and provide a sensible degree of strategic flexibility.

Timing of dividend payments

Historically, under UK GAAP reporting, the quantum and timing of interim and final dividends paid by the group traditionally followed the pattern of the underlying earnings of the business. However, the transition to IFRS in 2005 has distorted that position. The payment in May of the larger final dividend, which has historically represented approximately 60% of the previous year's full dividend, and the payment of the interim dividend in October results in a temporary reduction in net assets during those months. Given the requirements of the FSA to maintain a minimum level of capital adequacy at all times, it is proposed to amend the timing of the dividend payment dates to better reflect the seasonality of the group's earnings as recognised under IFRS. The interim dividend of 25.40p per share will therefore be paid on 28 November 2007, with the final dividend now expected to be paid in June 2008.

Group outlook

The recent strengthening of management and the improved medium-term prospects for both UK home credit and Vanquis Bank have placed the group in a strong position from which to focus upon its strategy to develop a broader range of credit products for the non-standard UK lending market.

We are confident that our continuing UK operations will deliver good profits growth for 2007 as a whole.

John van Kuffeler
Chairman
11 September 2007

Consolidated interim income statement

	Notes	Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
Continuing operations				
Revenue	2	521.4	517.6	1,019.9
Finance income		3.8	3.4	7.2
Total income		525.2	521.0	1,027.1
Finance costs		(36.4)	(33.6)	(69.8)
Operating costs		(271.3)	(298.9)	(517.3)
Administrative expenses		(173.0)	(141.5)	(300.8)
Total costs		(480.7)	(474.0)	(887.9)
Profit before taxation	2	44.5	47.0	139.2
Profit before tax and exceptional costs	2	56.3	47.0	150.3
Exceptional costs – demerger costs	2	(11.8)	-	(11.1)
Profit before taxation	2	44.5	47.0	139.2
Tax expense - UK		(10.5)	(10.0)	(27.3)
- Overseas		(5.9)	(4.4)	(17.4)
Total tax expense	3	(16.4)	(14.4)	(44.7)
Profit after taxation for the period from continuing operations		28.1	32.6	94.5
Discontinued operations				
Profit after taxation for the period from discontinued operations	4	76.6	13.9	30.4
Profit for the year attributable to equity shareholders	10	104.7	46.5	124.9

	Notes	Unaudited Half-year to 30 June 2007	Unaudited Half-year to 30 June 2006	Audited Full year to 31 Dec 2006
Earnings per share from continuing operations				
Basic	5	10.97p	12.80p	37.08p
Diluted	5	10.88p	12.75p	36.94p
Earnings per share attributable to equity shareholders				
Basic	5	40.87p	18.26p	49.00p
Diluted	5	40.55p	18.19p	48.83p
Dividend per share				
Proposed dividend*	6	25.40p	14.48p	22.02p
Paid in the period	6	22.02p	21.37p	35.85p

* The proposed dividend per share for the six months ended 30 June 2007 is 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 total cost of dividends paid in the period was £56.4m (30 June 2006 £54.4m, 31 December 2006 £91.4m).

Consolidated interim statement of recognised income and expense

	Notes	Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
Profit for the year attributable to equity shareholders		104.7	46.5	124.9
Exchange losses on foreign currency translations		-	(4.8)	(0.2)
Net fair value gains/(losses) – cash flow hedges		4.7	(0.7)	0.2
Actuarial gains/(losses) on retirement benefit asset	8	51.4	7.7	(0.3)
Tax charge on items taken directly to equity		(16.8)	(2.0)	(0.1)
Net income/(expense) recognised directly in equity	10	39.3	0.2	(0.4)
Total recognised income for the period	10	144.0	46.7	124.5

Consolidated interim balance sheet

	Notes	Unaudited As at 30 June 2007 £m	Unaudited As at 30 June 2006 £m	Audited As at 31 Dec 2006 £m
ASSETS				
Non-current assets				
Goodwill		3.1	3.1	3.1
Other intangible assets		26.4	28.0	30.0
Property, plant and equipment		57.2	47.2	58.7
Retirement benefit asset	8	68.6	6.7	8.9
Deferred tax assets		11.2	31.9	30.8
		166.5	116.9	131.5
Current assets				
Financial assets:				
- Amounts receivable from customers:				
- due within one year	7	1,061.2	967.1	1,103.2
- due in more than one year	7	93.0	152.2	129.5
- Total amounts receivable from customers	7	1,154.2	1,119.3	1,232.7
- Derivative financial instruments		2.9	5.3	2.7
- Cash and cash equivalents		69.9	438.3	438.8
Trade and other receivables		30.1	36.6	30.6
Insurance assets		-	63.3	56.2
Current tax assets		-	-	8.1
		1,257.1	1,662.8	1,769.1
Total assets		1,423.6	1,779.7	1,900.6
LIABILITIES				
Current liabilities				
Financial liabilities:				
- Bank and other borrowings		(165.8)	(28.3)	(87.4)
- Derivative financial instruments		(42.2)	(39.4)	(44.1)
Trade and other payables		(92.8)	(89.3)	(114.1)
Insurance accruals and deferred income		-	(347.8)	(328.3)
Current tax liabilities		(31.3)	(15.3)	(37.3)
Provisions		(1.3)	(1.3)	(1.8)
		(333.4)	(521.4)	(613.0)
Non-current liabilities				
Financial liabilities:				
- Bank and other borrowings		(639.4)	(948.3)	(933.6)
		(639.4)	(948.3)	(933.6)
Total liabilities		(972.8)	(1,469.7)	(1,546.6)
NET ASSETS	2	450.8	310.0	354.0
SHAREHOLDERS' EQUITY				
Called-up share capital	9	26.7	26.5	26.5
Share premium account	10	117.6	108.1	110.8
Other reserves	10	10.4	0.1	5.7
Retained earnings	10	296.1	175.3	211.0
TOTAL EQUITY	10	450.8	310.0	354.0

Consolidated interim cash flow statement

	Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
Cash flows from operating activities			
Cash generated from operations	147.6	64.5	109.7
Finance costs paid	(45.4)	(40.4)	(67.0)
Finance income received	10.9	13.0	25.9
Tax paid	(17.2)	(6.1)	(24.9)
Net cash generated from operating activities	95.9	31.0	43.7
Cash flows from investing activities			
Purchases of property, plant and equipment	(11.6)	(13.2)	(33.3)
Proceeds from sale of property, plant and equipment	2.8	2.0	4.6
Purchases of intangible assets	(4.1)	(2.0)	(6.0)
Net proceeds from disposal of insurance business (note 4)	152.4	-	-
Net cash generated from/(used in) investing activities	139.5	(13.2)	(34.7)
Cash flows from financing activities			
Proceeds from borrowings	67.3	174.2	225.7
Repayment of borrowings	(281.9)	(155.1)	(161.7)
Dividends paid to company shareholders	(56.4)	(54.4)	(91.4)
Proceeds from issue of share capital	7.0	0.4	3.1
Proceeds from the sale of treasury shares	0.4	0.2	2.3
Net cash used in financing activities	(263.6)	(34.7)	(22.0)
Net decrease in cash and bank overdrafts	(28.2)	(16.9)	(13.0)
Cash and bank overdrafts at beginning of period	431.6	444.4	444.4
Disposal of insurance division	(343.1)	-	-
Exchange (losses)/gains on cash and bank overdrafts	(0.1)	(0.6)	0.2
Cash and bank overdrafts at end of period	60.2	426.9	431.6

Cash and bank overdrafts at end of period comprise:

Cash at bank and in hand	47.9	51.4	61.9
Short-term deposits	22.0	386.9	376.9
Cash and cash equivalents	69.9	438.3	438.8
Overdrafts (held in bank and other borrowings)	(9.7)	(11.4)	(7.2)
	60.2	426.9	431.6

All short-term deposits have a maturity of three months or less on acquisition. 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. As at 30 June 2007 the cash and short-term deposits held by the group’s regulated businesses amounted to £22.0m (30 June 2006 £396.4m, 31 December 2006 £387.2m).

Cash generated from operations

	Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
Profit for the period	104.7	46.5	124.9
Adjusted for:			
Tax expense	20.0	19.5	55.3
Finance costs	36.4	33.6	69.8
Finance income	(11.2)	(12.3)	(25.3)
Share-based payment charge/(credit)	1.2	(0.3)	(1.9)
Pension charge/(credit)	0.6	0.4	(5.5)
Depreciation of property, plant and equipment	7.5	6.2	12.6
Amortisation of intangible assets	11.7	11.5	24.4
Loss/(profit) on sale of property, plant and equipment	0.2	(0.2)	(0.1)
Profit on disposal of insurance business (note 4)	(68.4)	-	-
Changes in operating assets and liabilities:			
Inventories	-	7.4	7.4
Amounts receivable from customers	78.4	138.2	36.5
Trade and other receivables	(2.2)	(8.2)	1.1
Insurance assets	(24.9)	(7.9)	(11.7)
Trade and other payables	3.8	(29.9)	(14.0)
Insurance accruals and deferred income	(5.1)	(11.4)	(30.9)
Retirement benefit asset	(2.6)	(105.0)	(109.3)
Derivative financial instruments	(2.0)	(0.2)	(0.7)
Provisions	(0.5)	(23.4)	(22.9)
Cash generated from operations	147.6	64.5	109.7

Notes to the interim financial information

1. Basis of preparation

The financial information comprises the consolidated balance sheets for the periods ended 30 June 2007, 30 June 2006 and 31 December 2006 and the income statements and cash flow statements for the periods then ended of Provident Financial plc (hereinafter referred to as "the financial information"). The financial information has been prepared in accordance with the Listing Rules of the Financial Services Authority.

In preparing this financial information management has used the accounting policies set out in the group's 2006 financial statements and has chosen not to adopt IAS 34 'Interim Financial Reporting'. IFRS 7 'Financial Instruments: Disclosures' and IAS 1 'Amendments to Capital Disclosures' are effective for annual periods beginning on or after 1 January 2007. These standards are disclosure standards and do not impact on the recognition or measurement of items accounted for under the accounting policies used in the group's 2006 financial statements. As the financial information is not required to include all disclosures required by International Financial Reporting Standards, the disclosures required by IFRS 7 and the amendment to IAS 1 have not been made. Full disclosures in accordance with IFRS 7 and the amendment to IAS 1 will be made in the group's 2007 financial statements.

This financial information does not constitute a set of statutory financial statements under section 240 of the UK Companies Act 1985 and is unaudited. The comparative figures for the financial year ended 31 December 2006 are an extract from the group's 2006 financial statements which have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors on these financial statements was unqualified and did not contain statements under section 237(2) or (3) of the UK Companies Act 1985.

This document (the interim report 2007) will be published on the company's website in addition to the normal paper version. The maintenance and integrity of the Provident Financial plc 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.

2. Segment information

Primary reporting format – business segments

	Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
Revenue – continuing operations			
UK home credit	292.0	289.6	576.7
Vanquis Bank	27.8	13.9	34.2
Yes Car Credit	10.0	26.9	43.7
Total UK businesses	329.8	330.4	654.6
International	191.6	187.2	365.3
Total group	521.4	517.6	1,019.9

		Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
Profit before taxation – continuing operations				
UK home credit+		47.0	47.0	127.5
Vanquis Bank		(4.2)	(10.7)	(18.3)
Yes Car Credit		(1.2)	(0.5)	(1.5)
		41.6	35.8	107.7
Central	- Costs	(4.5)	(4.3)	(6.0)
	- Interest receivable	1.1	0.5	2.4
Total central+		(3.4)	(3.8)	(3.6)
Total UK businesses		38.2	32.0	104.1
International		18.1	15.0	46.2
Total before exceptional costs		56.3	47.0	150.3
Exceptional costs – demerger costs		(11.8)	-	(11.1)
Total group		44.5	47.0	139.2

+ In the group's 2006 financial statements, the allocation of the group's interest charge to UK home credit changed to reflect revised borrowings based on an average ratio of borrowings to UK home credit receivables of 80%. The results for the six months to 30 June 2006 have been restated on a comparable basis resulting in a reduction in UK home credit profit for the six months to 30 June 2006 of £4.7m and a reduction in the interest cost held centrally of £4.7m. The change has had no impact on reported group profits.

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 the 2006 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.

On 16 July 2007, the group completed the demerger of its international business which was approved by the company's shareholders at the Extraordinary General Meeting of the company on 13 July 2007. As at 30 June 2007, the demerger was still subject to shareholder approval and therefore the international business did not meet the criteria within IFRS 5 of a discontinued operation. Accordingly, the results of the international business have been included within continuing operations in the interim financial information. In addition, as the demerger was effected by a dividend in specie and there was no issue of new share capital or any sales proceeds involved, the international business also did not meet the criteria of an asset held for resale. Accordingly, the assets and liabilities of the international business have not been separately presented from the rest of the group. For the group's 2007 full year results, the international business will meet the IFRS 5 criteria of a discontinued operation and will therefore be presented as a discontinued operation in the income statement.

Demerger costs comprise costs incurred in preparing for the demerger of the international business. In the six months to 30 June 2007, the costs comprise £7.1m of professional fees (30 June 2006 £nil, 31 December 2006 £6.4m) and £4.7m of other separation costs (30 June 2006 £nil, 31 December 2006 £4.7m). All of the demerger costs have been classified as administrative expenses within the consolidated income statement. £6.7m of the demerger costs relate to central activities (30 June 2006 £nil, 31 December 2006 £6.9m), £1.8m relate to UK home credit (30 June 2006 £nil, 31 December 2006 £nil) with the remaining £3.3m relating to International (30 June 2006 £nil, 31 December 2006 £4.2m).

	Unaudited As at 30 June 2007 £m	Unaudited As at 30 June 2006 £m	Audited As at 31 Dec 2006 £m
Net assets/(liabilities)			
UK home credit#	201.7	197.0	176.0
Vanquis Bank	34.3	28.0	32.0
Yes Car Credit	(39.6)	(36.0)	(37.4)
Central#	89.7	(10.1)	19.9
Total UK businesses	286.1	178.9	190.5
International#	164.7	56.8	82.2
Total continuing operations	450.8	235.7	272.7
Discontinued operation - Insurance	-	74.3	81.3
Total group	450.8	310.0	354.0

During 2007, the allocation of group net assets has been amended to (i) reallocate certain centrally held tax provisions to the international business in line with the arrangements in place on demerger and (ii) adjust the statutory net assets of the UK home credit business to reflect a borrowings to receivables ratio of 80% consistent with the treatment adopted for charging interest to the income statement. Prior year comparatives have been restated on a comparable basis which has resulted in International net assets as at 30 June 2006 and 31 December 2006 reducing by £9.3m and £7.0m respectively, UK home credit net assets as at 30 June 2006 and 31 December 2006 reducing by £94.0m and £180.3m respectively and central activities net assets as at 30 June 2006 and 31 December 2006 increasing by £103.3m and £187.3m respectively.

Secondary reporting format – geographical segments

	Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
Revenue – continuing operations			
UK and Republic of Ireland	329.8	330.4	654.6
Central Europe	173.1	175.8	338.6
Mexico	17.1	11.4	26.4
Romania	1.4	-	0.3
Total group	521.4	517.6	1,019.9

	Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
Profit before taxation – continuing operations^			
UK and Republic of Ireland	33.2	28.2	96.7
Central Europe	31.9	24.9	65.7
Mexico	(6.9)	(5.0)	(9.7)
Romania	(1.9)	(1.1)	(2.4)
	56.3	47.0	150.3
UK and Republic of Ireland:			
Exceptional costs – demerger costs	(11.8)	-	(11.1)
Total group	44.5	47.0	139.2

^ In the group's 2006 financial statements, the allocation of International UK divisional overheads changed to more accurately reflect the costs attributable to Central Europe, Mexico and Romania. The results for the six months to 30 June 2006 have been restated on a comparable basis resulting in a reduction in the profit in Central Europe of £1.8m, an increase in the loss in Mexico of £0.3m and a reduction of costs in the UK and Republic of Ireland of £2.1m. The change has had no impact on reported group profits.

3. Tax expense

The total tax charge for the period comprises:

	Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
Continuing operations:			
- UK	10.5	10.0	27.3
- Overseas	5.9	4.4	17.4
Total continuing operations	16.4	14.4	44.7
Discontinued operations:			
- UK	4.5	5.1	10.6
Total tax expense	20.9	19.5	55.3

The tax expense for the period for continuing operations has been calculated by applying the directors' best estimate of the effective tax rate for the year, which is 30.0% (30 June 2006 30.6%), to the profit before demerger costs for the period.

Included within the UK tax expense relating to continuing operations is a tax credit in respect of demerger costs of £0.5m (30 June 2006 £nil, 31 December 2006 £1.1m). The tax expense in relation to discontinued operations includes a tax charge of £0.9m in respect of the profit on disposal of the insurance business (see note 4).

4. Discontinued operations

On 15 June 2007, the group completed the disposal of the companies forming the insurance business to Car Care Plan (Holdings) Limited, a subsidiary of GMAC Insurance Holdings Inc. Accordingly, this business has been presented as a discontinued operation in accordance with IFRS 5. There is no impact on the prior period financial statements other than a change in the presentation of the insurance business results to discontinued operations.

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

	Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
Profit after taxation for the period from trading activities	8.2	13.9	30.4
Profit after taxation on disposal of the insurance business	68.4	-	-
Profit after taxation for the period from discontinued operations	76.6	13.9	30.4

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

	Unaudited Half-year to 30 June 2007* £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
Revenue	61.8	78.0	160.9
Finance income	7.4	8.9	18.1
Total income	69.2	86.9	179.0
Operating costs	(49.0)	(56.8)	(120.1)
Administrative expenses	(8.4)	(11.1)	(17.9)
Total costs	(57.4)	(67.9)	(138.0)
Profit before taxation for the period from trading activities	11.8	19.0	41.0
Tax expense - UK	(3.6)	(5.1)	(10.6)
Profit after taxation for the period from trading activities	8.2	13.9	30.4

* Represents five and a half months trading under the group's ownership.

Included within operating costs is a credit of £13.9m (30 June 2006 £16.2m, 31 December 2006 £42.7m) in respect of the release of provisions for prior year claims.

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

The tax rate applied to the trading activities of discontinued operations in the six months ended 30 June 2007 is 30%, consistent with the overall group tax rate. The tax charged in respect of 2006 represents the actual tax charges of the insurance business.

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

	£m
Sales proceeds	170.5
Termination of interest rate swaps	(6.9)
S75 pension contribution (note 8)	(3.4)
Disposal costs	(7.8)
Net cash consideration	152.4
Tax recoverable from purchaser	1.7
Total net consideration	154.1
Pension curtailment credit (note 8)	2.9
Share-based payment charge (note 10)	(0.6)
Increase in pension asset following S75 pension contribution	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.

The S75 pension contribution represents 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 sale. The group's retirement benefit asset has increased by a corresponding amount (see note 8).

Disposal costs comprise professional fees and the cost of bonuses for the senior management team of the insurance business.

The tax recoverable from the purchaser of £1.7m represents an adjustment to the consideration to reflect tax relief obtained by the purchaser as a result of the transaction.

The pension curtailment credit of £2.9m arises 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.

A deferred tax liability of £0.9m has been recognised on the pension curtailment credit.

The share-based payment charge represents the crystallisation of the share options of the insurance business management team as a result of the disposal.

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

The cashflows from discontinued operations were as follows:

	Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
Profit after taxation for the period	8.2	13.9	30.4
Adjusted for:			
Tax expense	3.6	5.1	10.6
Finance income	(7.4)	(8.9)	(18.1)
Share-based payment charge	-	-	0.1
Pension charge/(credit)	0.1	0.2	(0.7)
Depreciation of property, plant and equipment	0.3	0.2	0.5
Amortisation of intangible assets	8.6	10.6	22.2
Changes in operating assets and liabilities:			
Trade and other receivables	(0.2)	(0.1)	(1.2)
Insurance assets	(24.9)	(7.9)	(11.7)
Trade and other payables	0.8	(2.3)	(1.3)
Insurance accruals and deferred income	(5.1)	(11.4)	(30.9)
Retirement benefit asset	(0.4)	(11.4)	(11.7)
Cash used in operations	(16.4)	(12.0)	(11.8)
Finance income received	7.1	9.6	18.7
Tax paid	(2.1)	(3.2)	(9.0)
Net cash used in operating activities	(11.4)	(5.6)	(2.1)
Net cash used in investing activities	(0.6)	(0.1)	(0.6)
Net cash used in financing activities	-	(7.0)	(14.4)
Net decrease in cash and bank overdrafts	(12.0)	(12.7)	(17.1)

The cashflows above do not include the cashflows associated with the disposal of the insurance business.

5. 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 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. The directors have elected to show an adjusted EPS prior to demerger costs. This is presented to show the EPS generated by the group's continuing operations.

The weighted average number of shares in issue during the period can be reconciled to the number used in the basic and diluted EPS calculations as follows:

	Unaudited Half-year to 30 June 2007 Number m	Unaudited Half-year to 30 June 2006 Number m	Audited Full year to 31 Dec 2006 Number m
Used in basic EPS calculation	256.2	254.7	254.9
Dilutive effect of options	2.0	0.9	0.9
Used in diluted EPS calculation	258.2	255.6	255.8

A reconciliation of the profit after taxation used in the EPS calculations is as follows:

	Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
Profit after taxation attributable to equity shareholders	104.7	46.5	124.9
Profit after taxation from discontinued operations	(76.6)	(13.9)	(30.4)
Profit after taxation from continuing operations	28.1	32.6	94.5
Demerger costs, net of tax credit	11.3	-	10.0
Adjusted profit after taxation	39.4	32.6	104.5

Reconciliations of basic and diluted EPS are as follows:

	Unaudited Half-year to 30 June 2007 Pence	Unaudited Half-year to 30 June 2006 Pence	Audited Full year to 31 Dec 2006 Pence
Basic EPS	40.87	18.26	49.00
Basic EPS from discontinued operations	(29.90)	(5.46)	(11.92)
Basic EPS from continuing operations	10.97	12.80	37.08
Demerger costs, net of tax credit	4.41	-	3.92
Adjusted EPS from continuing operations	15.38	12.80	41.00
Diluted EPS	40.55	18.19	48.83
Diluted EPS from discontinued operations	(29.67)	(5.44)	(11.89)
Diluted EPS from continuing operations	10.88	12.75	36.94
Demerger costs, net of tax credit	4.38	-	3.91
Adjusted diluted EPS from continuing operations	15.26	12.75	40.85

6. Dividends paid and proposed

	Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
2005 final – 21.37p	-	54.4	54.4
2006 interim – 14.48p	-	-	37.0
2006 final – 22.02p	56.4	-	-
Dividends paid	56.4	54.4	91.4

An interim dividend in respect of 2007 of 25.40p per share*, amounting to a total dividend of £33.1m, has been declared by the directors. The interim financial information does not reflect this dividend payable as it will be paid after the balance sheet date.

* The proposed dividend per share for the six months ended 30 June 2007 is 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.

7. Amounts receivable from customers

	Unaudited As at 30 June 2007 £m	Unaudited As at 30 June 2006 £m	Audited As at 31 Dec 2006 £m
UK home credit	623.9	587.7	695.6
Vanquis Bank	114.3	75.9	97.5
Yes Car Credit	60.8	161.2	108.6
Total UK businesses	799.0	824.8	901.7
International	355.2	294.5	331.0
Total group	1,154.2	1,119.3	1,232.7
Analysed as:			
- due within one year	1,061.2	967.1	1,103.2
- due in more than one year	93.0	152.2	129.5
Total group	1,154.2	1,119.3	1,232.7

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

	Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
UK home credit	107.4	106.4	178.8
Vanquis Bank	12.8	8.1	19.4
Yes Car Credit	5.5	14.2	22.6
Total UK businesses	125.7	128.7	220.8
International	41.8	69.5	103.1
Total group	167.5	198.2	323.9

8. 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 76% 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 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 30 June 2007. Scheme assets are stated at fair value at 30 June 2007.

The major assumptions used by the actuary were:

		Unaudited Half-year to 30 June 2007	Unaudited Half-year to 30 June 2006	Audited Full year to 31 Dec 2006
		%	%	%
Price inflation		3.40	3.00	3.10
Rate of increase in pensionable salaries		4.90	4.58	4.68
Rate of increase to pensions in payment		3.30	3.00	3.10
Discount rate		5.70	5.10	5.10
Long term rate of return	- Equities	7.85	7.85	7.85
	- Bonds	5.70	5.10	5.10
	- Index-linked gilts	5.10	4.50	4.50
	- Other	6.00	5.25	5.25
	- Overall	6.97	6.92	6.62

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 pension 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 pension 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 consolidated income statement would have increased by approximately £0.2m in the six months to 30 June 2007 and the defined benefit obligation would have increased by approximately £18.0m.

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

	Unaudited As at 30 June 2007 £m	Unaudited As at 30 June 2006 £m	Audited As at 31 Dec 2006 £m
Equities	272.5	233.3	254.5
Bonds	22.5	22.5	22.1
Index-linked gilts	20.0	19.7	21.8
Other	176.5	165.9	169.5
Total fair value of scheme assets	491.5	441.4	467.9
Present value of funded defined benefit obligations	(422.9)	(434.7)	(459.0)
Net asset recognised in the balance sheet	68.6	6.7	8.9

The amounts recognised in the income statement are as follows:

	Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
Current service cost	(3.5)	(3.9)	(7.6)
Interest cost	(11.5)	(10.5)	(21.0)
Expected return on scheme assets	14.4	14.0	27.5
Net expense before past service and curtailment credits	(0.6)	(0.4)	(1.1)
Past service credit	-	-	2.2
Curtailment credit	2.9	-	4.4
Net credit/(expense) recognised in the income statement	2.3	(0.4)	5.5

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 sale. The reduction in the projected defined benefit obligation of £2.9m has been recognised as a curtailment credit in the six months ended 30 June 2007. This amount has been included within the profit on disposal of the insurance business (see note 4). The remaining net credit/(expense) has been included within administrative expenses.

During 2006, changes to the rules of the pension schemes and to the tax applying to pension scheme benefits meant that in most cases members of the pension schemes would 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, in the year ended 31 December 2006 these changes 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:

	Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
Fair value of scheme assets at start of period	467.9	331.1	331.1
Expected return on scheme assets	14.4	14.0	27.5
Actuarial gains/(losses) on scheme assets	6.5	(5.1)	7.1
S75 contribution on disposal of insurance business	3.4	-	-
Contributions by the group	2.6	105.0	109.3
Contributions paid by scheme participants	1.6	1.8	3.5
Net benefits paid out	(4.9)	(5.4)	(10.6)
Fair value of scheme assets at end of period	491.5	441.4	467.9

The S75 contribution on disposal of the insurance business of £3.4m is 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.

In January 2006, the group made an additional special contribution of £102.2m 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 has been broadly offset by a reduction in the IAS 19 pension charge to the consolidated income statement.

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

	Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
Defined benefit obligation at start of period	(459.0)	(436.7)	(436.7)
Current service cost	(3.5)	(3.9)	(7.6)
Interest cost	(11.5)	(10.5)	(21.0)
Past service credit	-	-	2.2
Curtailment credit	2.9	-	4.4
Contributions paid by scheme participants	(1.6)	(1.8)	(3.5)
Actuarial gains/(losses) on scheme liabilities	44.9	12.8	(7.4)
Net benefits paid out	4.9	5.4	10.6
Defined benefit obligation at end of period	(422.9)	(434.7)	(459.0)

An analysis of amounts recognised in the Statement of Recognised Income and Expense (SORIE) is as follows:

	Unaudited Half-year to 30 June 2007 £m	Unaudited Half-year to 30 June 2006 £m	Audited Full year to 31 Dec 2006 £m
Actuarial gains/(losses) on scheme assets	6.5	(5.1)	7.1
Actuarial gains/(losses) on scheme liabilities	44.9	12.8	(7.4)
Total gains/(losses) recognised in the SORIE in the period	51.4	7.7	(0.3)

9. Called-up share capital

As at 30 June 2007, the group had authorised share capital of £40.0m ordinary shares of 10 $^{4/11}$ pence each (30 June 2006 £40.0m, 31 December 2006 £40.0m) of which £26.7m was issued and fully paid up (30 June 2006 £26.5m, 31 December 2006 £26.5m).

The movement in the number of shares in issue during the six months ended 30 June 2007 was as follows:

	Number
At 1 January 2007	256.1
Shares issued pursuant to the exercise of options	1.1
At 30 June 2007	257.2

Following shareholder approval of the demerger of the international business on 13 July 2007, the group's ordinary share capital has been reduced on the basis of one share for every two shares.

10. Consolidated interim statement of changes in shareholders' equity

	Unaudited 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 2006	26.5	107.7	5.5	177.7	317.4
Exchange losses on foreign currency translations	-	-	(4.8)	-	(4.8)
Net fair value losses – cash flow hedges	-	-	(0.7)	-	(0.7)
Actuarial gains on retirement benefit asset	-	-	-	7.7	7.7
Tax credit/(charge) on items taken directly to equity	-	-	0.2	(2.2)	(2.0)
Net (expense)/income recognised directly in equity	-	-	(5.3)	5.5	0.2
Profit for the period	-	-	-	46.5	46.5
Total recognised (expense)/income for the period	-	-	(5.3)	52.0	46.7
Increase in share premium	-	0.4	-	-	0.4
Movement in treasury shares	-	-	0.2	-	0.2
Share-based payment credit	-	-	(0.3)	-	(0.3)
Dividends	-	-	-	(54.4)	(54.4)
Balance at 30 June 2006	26.5	108.1	0.1	175.3	310.0

	Called-up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
	Unaudited				
	Attributable to equity shareholders of the company				
Balance at 1 July 2006	26.5	108.1	0.1	175.3	310.0
Exchange gains on foreign currency translations	-	-	4.6	-	4.6
Net fair value gains – cash flow hedges	-	-	0.9	-	0.9
Actuarial losses on retirement benefit asset	-	-	-	(8.0)	(8.0)
Tax (charge)/credit on items taken directly to equity	-	-	(0.4)	2.3	1.9
Net income/(expense) recognised directly in equity	-	-	5.1	(5.7)	(0.6)
Profit for the period	-	-	-	78.4	78.4
Total recognised income for the period	-	-	5.1	72.7	77.8
Increase in share premium	-	2.7	-	-	2.7
Movement in treasury shares	-	-	2.1	-	2.1
Share-based payment credit	-	-	(1.6)	-	(1.6)
Dividends	-	-	-	(37.0)	(37.0)
Balance at 31 December 2006	26.5	110.8	5.7	211.0	354.0
Balance at 1 January 2007	26.5	110.8	5.7	211.0	354.0
Net fair value gains – cash flow hedges	-	-	4.7	-	4.7
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
Increase in share capital	0.2	-	-	-	0.2
Increase in share premium	-	6.8	-	-	6.8
Movement in treasury shares	-	-	0.4	-	0.4
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

* £0.6m of the share-based payment charge arises as a result of the crystallisation of the share options of the insurance business management team following the disposal of that business on 15 June 2007. This amount has been included within the profit on disposal of the insurance business (see note 4).

Independent review report to Provident Financial plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprises the consolidated interim balance sheet as at 30 June 2007 and the related consolidated interim statements of income, recognised income and expense and cash flows for the six months then ended 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 financial information.

Directors' responsibilities

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

This interim report has been prepared in accordance with the basis set out in note 1.

Review work performed

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

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

PricewaterhouseCoopers LLP
Chartered Accountants
Leeds
11 September 2007

Information for shareholders

1. The shares will be marked ex-dividend on 31 October 2007.

2. The interim report will be posted to shareholders on 28 September 2007.

3. The interim dividend will be paid on 28 November 2007 to shareholders on the register at the close of business on 2 November 2007. Dividend warrants/vouchers will be posted on 26 November 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.