

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

CONTENTS

	Page
Directors' report	1
Statement of directors' responsibilities	3
Independent auditor's report	4
Income statement	5
Statement of comprehensive income	5
Balance sheet	6
Statement of changes in shareholders' equity	7
Statement of cash flows	8
Statement of accounting policies	9
Financial and capital risk management	15
Notes to the financial statements	18

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

DIRECTORS' REPORT

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

Principal activities and review of business

The principal activity of the company is to provide unsecured home credit loans to customers in the UK and Republic of Ireland.

Both the level of business and the year end financial position were satisfactory and the directors expect that the current trends experienced by the business will continue for the foreseeable future and the company will be able to meet its liabilities as they fall due. Accordingly the financial statements of the company have been prepared on a going concern basis.

The company forms part of the Consumer Credit Division. A full review of the business, results and future prospects of the Consumer Credit Division is set out in the annual report of Provident Financial plc.

Results

The income statement for the year is set out on page 5. The profit for the year of £82.8m (2011: £69.8m) has been added to reserves.

Dividends

During the year ended 31 December 2012, the directors paid an interim dividend on the ordinary shares of the company of £60.0m (2011: £65.0m), which has been deducted from reserves. The directors recommend a final dividend of £nil (2011: £nil).

The directors have declared and paid the 5.165% dividend on the preference shares issued in 2002 of £9,130 (2011: £9,130) and the 5.84% dividend on the preference shares issued in 2004 of £7,313 (2011: £7,313).

Directors

The directors of the company during the year ended 31 December 2012, all of whom were directors for the whole year then ended and to the date of this report, except where stated, were:

C D Gillespie	Chairman
D C Craggs	
J R Gillespie	
S D Shaw	
C E F Taylor	
M Stevens	(Appointed 1 September 2012)
S M Dickins	(Appointed 5 November 2012)
M R Elliott	(Resigned 4 October 2012)
I T Bailey	(Appointed 1 January 2012, resigned 1 February 2013)

Principal risks and uncertainties and financial risk management

The company participates in the group-wide risk management framework of Provident Financial plc. Details of the group's risk management framework together with the group's principal risks and uncertainties are set out in the annual report of Provident Financial plc.

The financial and capital risk management policies of the company are set out on pages 15 to 17.

Key performance indicators (KPIs)

Provident Financial plc's operations are managed on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the statutory company is not appropriate for an understanding of the development, performance or position of the company. The development, performance and position of the Consumer Credit Division of Provident Financial plc, which includes the company, is set out in the annual report of Provident Financial plc.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

DIRECTORS' REPORT (CONTINUED)

Employee involvement

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company and group is encouraged as achieving a common awareness amongst all employees of the financial and economic factors affecting the company and group plays a major role in maintaining its competitive position. The company encourages the involvement of employees by means of newsletters, weekly performance updates, regular management team briefings, staff meetings and conferences including trade union meetings. A Save As You Earn (SAYE) share option scheme is operated by the group to reinforce staff involvement in the group and to encourage an interest in its progress. The current scheme is open to all permanent employees of the company with more than six months' service.

Equal opportunities

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled, every effort is made by the group to ensure their continued employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Supplier policy statement

Provident Financial plc and its subsidiaries, including the company, signed up to the Prompt Payment Code during the year. Code signatories undertake to: (i) pay suppliers on time; (ii) give clear guidance to suppliers; and (iii) encourage good practice.

The trade payables figure represents 12 days of purchases (2011: 11 days).

Auditor information

In accordance with section 418 of the Companies Act 2006, each person who is a director at the date of this report confirmed that:

- i) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- ii) he/she has taken all reasonable steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

During the year, following a rigorous group audit tender process, PricewaterhouseCoopers LLP resigned as auditor and Deloitte LLP were appointed. Deloitte LLP will continue as auditor to the company for the next financial year.

BY ORDER OF THE BOARD



E G Versluys
Company Secretary
Bradford
4 March 2013

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

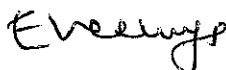
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

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

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

BY ORDER OF THE BOARD



E G Versluys
Company Secretary
Bradford
4 March 2013

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PROVIDENT PERSONAL CREDIT LIMITED**

We have audited the financial statements of Provident Personal Credit Limited for the year ended 31 December 2012 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in shareholders' equity, the statement of cash flows, the statement of accounting policies and the related notes 1 to 26 of the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Peter Birch (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
4 March 2013

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

INCOME STATEMENT

for the year ended 31 December	Note	2012 £m	2011 £m
Revenue	1	587.1	587.0
Finance income	2	14.1	5.5
Total revenue		601.2	592.5
Finance costs	3	(51.3)	(56.2)
Operating costs		(288.4)	(285.0)
Administrative costs		(153.3)	(156.3)
Total costs		(493.0)	(497.5)
Profit before taxation	4	108.2	95.0
Tax charge	5	(25.4)	(25.2)
Profit for the year attributable to equity shareholders		82.8	69.8

All of the above operations relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December	Note	2012 £m	2011 £m
Profit for the year attributable to equity shareholders		82.8	69.8
Other comprehensive income:			
- cash flow hedges	12	(0.4)	0.3
- tax on other comprehensive income	5	0.1	(0.1)
Other comprehensive (expense)/income for the year		(0.3)	0.2
Total comprehensive income for the year		82.5	70.0

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

BALANCE SHEET

as at 31 December	Note	2012 £m	2011 £m
ASSETS			
Non-current assets			
Property, plant and equipment	9	3.7	3.6
Financial assets:			
- amounts receivable from customers	10	87.1	79.0
Deferred tax assets	15	1.1	1.1
		91.9	83.7
Current assets			
Financial assets:			
- amounts receivable from customers	10	659.7	669.7
- derivative financial instruments	12	-	0.2
- cash and cash equivalents	16	15.1	23.3
- trade and other receivables	13	219.2	208.9
		894.0	902.1
Total assets		985.9	985.8
LIABILITIES			
Current liabilities			
Financial liabilities:			
- bank and other borrowings	17	(1.0)	(0.4)
- derivative financial instruments	12	(0.2)	-
- trade and other payables	18	(789.1)	(619.1)
Current tax liabilities		(9.0)	(2.6)
		(799.3)	(622.1)
Non-current liabilities			
Financial liabilities:			
- bank and other borrowings	17	-	(200.0)
- trade and other payables	18	(0.3)	(0.3)
		(0.3)	(200.3)
Total liabilities		(799.6)	(822.4)
NET ASSETS		186.3	163.4
SHAREHOLDERS' EQUITY			
Share capital	19	71.5	71.5
Share premium		1.0	1.0
Other reserves	21	2.4	2.8
Retained earnings		111.4	88.1
TOTAL SHAREHOLDERS' EQUITY		186.3	163.4

The financial statements on pages 5 to 34 were approved by the board of directors on 4 March 2013 and signed on its behalf by:


C D Gillespie
Director


J R Gillespie
Director

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2011		71.5	1.0	2.7	82.4	157.6
Profit for the year		-	-	-	69.8	69.8
Other comprehensive income:						
- cash flow hedges	12	-	-	0.3	-	0.3
- tax on other comprehensive income	5	-	-	(0.1)	-	(0.1)
Other comprehensive income for the year		-	-	0.2	-	0.2
Total comprehensive income for the year		-	-	0.2	69.8	70.0
Transactions with owners:						
- share-based payment charge	20	-	-	0.8	-	0.8
- transfer of share-based payment reserve		-	-	(0.9)	0.9	-
- dividends	6	-	-	-	(65.0)	(65.0)
At 31 December 2011		71.5	1.0	2.8	88.1	163.4
At 1 January 2012		71.5	1.0	2.8	88.1	163.4
Profit for the year		-	-	-	82.8	82.8
Other comprehensive income:						
- cash flow hedges	12	-	-	(0.4)	-	(0.4)
- tax on other comprehensive income	5	-	-	0.1	-	0.1
Other comprehensive (expense)/income for the year		-	-	(0.3)	-	(0.3)
Total comprehensive (expense)/income for the year		-	-	(0.3)	82.8	82.5
Transaction with owners:						
- share-based payment charge	20	-	-	0.4	-	0.4
- transfer of share-based payment reserve		-	-	(0.5)	0.5	-
- dividends	6	-	-	-	(60.0)	(60.0)
At 31 December 2012		71.5	1.0	2.4	111.4	186.3

Other reserves are further analysed in note 21.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

STATEMENT OF CASH FLOWS

for the year ended 31 December	Note	2012 £m	2011 £m
Cash flows from operating activities			
Cash generated from operations	25	107.8	148.4
Finance costs paid		(52.2)	(56.3)
Finance income received		14.1	5.5
Tax paid		(17.0)	(32.2)
Net cash generated from operating activities		52.7	65.4
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(1.8)	(1.7)
Proceeds from disposal of property, plant and equipment	9	0.3	0.6
Net cash used in investing activities		(1.5)	(1.1)
Cash flows from financing activities			
Dividends paid to company shareholder	6	(60.0)	(65.0)
Net cash used in financing activities		(60.0)	(65.0)
Net decrease in cash, cash equivalents and overdrafts		(8.8)	(0.7)
Cash, cash equivalents and overdrafts at beginning of year		22.9	23.6
Cash, cash equivalents and overdrafts at end of year		14.1	22.9
Cash, cash equivalents and overdrafts at end of year comprise:			
Cash at bank and in hand	16	15.1	23.3
Overdrafts (held in bank and other borrowings)	17	(1.0)	(0.4)
Total cash, cash equivalents and overdrafts		14.1	22.9

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

STATEMENT OF ACCOUNTING POLICIES

General information

The company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is No. 1 Godwin Street, Bradford, BD1 2SU.

The principal activity of the company is to provide unsecured home credit loans to customers in the UK and Republic of Ireland.

Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

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

The company's accounting policies are chosen by the directors to ensure that the financial statements present a true and fair view. All of the company's accounting policies are consistent with the requirements of International Financial Reporting Standards, interpretations issued by the International Financial Reporting Interpretations Committee and UK company law.

Principal accounting policies

The company's principal accounting policies under IFRS, which have been consistently applied to all the years presented unless otherwise stated, are set out below.

The following new standards, amendments to standards and interpretations are mandatory and were applied by the company for the first time in the financial year commencing 1 January 2012:

(a) New and amended standards adopted by the company:

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that have had a material impact on the company.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and updated in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, that part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The company is in the process of assessing the updates to IFRS 9, both those which have been issued and those aspects relating to hedge accounting and impairment which will be issued in due course. The company will adopt IFRS 9 in its entirety no later than the accounting period beginning on or after 1 January 2015, subject to endorsement by the EU.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Principal accounting policies (continued)

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. IFRS 13 will be adopted during the accounting period beginning on 1 January 2013 and will not have a material impact on the company.

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

Revenue

Revenue comprises interest income earned and represents the charge payable by the customer on the amount of credit advanced by the company. Revenue excludes value added tax.

Revenue recognition

Revenue on customer receivables is recognised using an effective interest rate. The effective interest rate is calculated using estimated cash flows, being contractual payments adjusted for the impact of customers repaying early but excluding the anticipated impact of customers paying late or not paying at all. Directly attributable incremental issue costs are also taken into account in calculating the effective interest rate. Interest income continues to be accrued on impaired receivables using the original effective interest rate applied to the loan's carrying value.

Finance income

Finance income comprises interest income earned from the parent undertaking on intercompany loans.

Finance costs

Finance costs principally comprise the interest on bank borrowings and on intra-group loan arrangements, and are recognised on an effective interest rate basis.

Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The company operates primarily in the UK and Republic of Ireland. The company's financial statements are presented in sterling, which is the company's functional and presentational currency.

Transactions that are not denominated in the company's functional currency are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the exchange rates ruling at the balance sheet date. Differences arising on translation are charged or credited to the income statement, except when deferred in equity as effective cash flow or net investment hedges. Foreign exchange gains and losses are charged to the income statement as part of administrative costs.

Exchange differences are recognised in the income statement in the period in which they arise except for:

- exchange differences on transactions entered into which hedge foreign currency risk; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, therefore forming part of the net investment hedge of the operation which are recognised initially in other comprehensive income and reclassified on disposal or part-disposal of the net investment.

Amounts receivable from customers

All customer receivables are initially recognised at the amount loaned to the customer plus directly attributable incremental issue costs. After initial recognition, customer receivables are subsequently measured at amortised cost. Amortised cost is the amount of the customer receivable at initial recognition less customer repayments, plus revenue earned calculated using the effective interest rate, less any deduction for impairment.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Amounts receivable from customers (continued)

The company assesses whether there is objective evidence that customer receivables have been impaired at each balance sheet date. The principal criterion for determining whether there is objective evidence of impairment is delinquency in contractual payments.

Objective evidence of impairment is based on the payment performance of loans in the previous 12 weeks as this is considered to be the most appropriate indicator of credit quality in the short-term cash loans business. Loans are deemed to be impaired when the cumulative amount of two or more contractual weekly payments have been missed in the previous 12-week period since only at this point do the expected future cash flows from loans deteriorate significantly. Loans with one missed weekly payment over the previous 12-week period are not deemed to be impaired.

The amount of impairment loss is calculated on a portfolio basis by reference to arrears stages and is measured as the difference between the carrying value of the loans and the present value of estimated future cash flows discounted at the original effective interest rate. Subsequent cash flows are regularly compared to estimated cash flows to ensure that the estimates are sufficiently accurate for impairment provisioning purposes.

Impairment charges are deducted directly from the carrying value of receivables.

Impairment charges and reversals are charged/credited to the income statement as part of operating costs.

Property, plant and equipment

Property, plant and equipment is shown at cost less subsequent depreciation and impairment.

Cost represents invoiced cost plus any other costs that are directly attributable to the acquisition of the items. Repairs and maintenance costs are expensed as incurred.

Depreciation is calculated to write down assets to their estimated realisable value over their useful economic lives. The following are the principal bases used:

	%	Method
Equipment (including computer hardware)	10 to 33.3	Straight line
Motor vehicles	25	Reducing balance

The residual values and useful economic lives of all assets are reviewed, and adjusted if appropriate, at each balance sheet date.

All items of property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use or its fair value less costs to sell.

Gains and losses on disposal of property, plant and equipment are determined by comparing any proceeds with the carrying amount of the asset and are recognised within administrative costs in the income statement.

Depreciation is charged to the income statement as part of administrative costs.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All current leases held are operating leases. Costs in respect of operating leases are charged to the income statement on a straight line basis over the lease term.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances.

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the expected life of the borrowings using the effective interest rate.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Dividends

Dividend distributions to the company's shareholder are recognised in the financial statements when approved by the company's board of directors.

Retirement benefits

Defined benefit pension schemes:

The company participates in the Provident Financial Staff Pension Scheme, a multi-employer scheme, sponsored by Provident Financial plc. As there is no contractual agreement for charging the company a portion of the defined benefit costs of the plan as a whole, the company recognises their cash contributions on an accruals basis.

Defined contribution pension schemes:

Cash contributions to defined contribution pension schemes are charged to the income statement on an accruals basis.

Share-based payments

Provident Financial plc grants options under employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)) to the company's employees and makes awards under the Performance Share Plan (PSP) and the Long Term Incentive Scheme (LTIS). All of the schemes are equity-settled.

The cost of providing options and awards to the company's employees is charged to the income statement of the company over the vesting period of the related options and awards. The corresponding credit is made to a share-based payment reserve within equity.

The cost of options and awards is based on fair value. For PSP awards, the performance conditions are based on earnings per share (EPS). Accordingly, the fair value of options and awards is determined using a binomial option pricing model which is a suitable model for valuing options with internal related targets such as EPS. A binomial model is also used for calculating the fair value of SAYE options which have no performance conditions attached. The value of the charge is adjusted at each balance sheet date to reflect lapses and expected and actual levels of vesting, with a corresponding adjustment to the share-based payment reserve.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

For the LTIS awards prior to 2009, performance conditions were based on Total Shareholder Return (TSR). Accordingly, the fair value of awards was determined using a Monte Carlo option pricing model as this is the most appropriate model for valuing options with external related targets such as TSR. For the LTIS schemes from 2009 onwards, performance conditions are based on a combination of both EPS and TSR targets. Accordingly, the fair value of awards is determined using a combination of the binomial and Monte Carlo option pricing models. The value of the charge is adjusted at each balance sheet date to reflect lapses. Where the Monte Carlo option pricing model is used to determine fair value, no adjustment is made to reflect expected and actual levels of vesting as the probability of the awards vesting is taken into account in the initial calculation of the fair value of the awards.

A transfer is made from the share-based payment reserve to retained earnings on vesting or when options and awards lapse.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Taxation

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

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

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is also provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the future.

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

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

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Key assumptions and estimates

In applying the accounting policies set out above, the company makes significant estimates and assumptions that affect the reported amounts of assets and liabilities as follows:

Amounts receivable from customers

The company reviews its portfolio of loans and receivables for impairment at each balance sheet date. For the purposes of assessing the impairment of customer loans and receivables, customers are categorised into arrears stages as this is considered to be the most reliable predictor of future payment performance. The company makes judgements to determine whether there is objective evidence which indicates that there has been an adverse effect on expected future cash flows. Receivables are deemed to be impaired when the cumulative amount of two or more contractual weekly payments have been missed in the previous 12 weeks, since only at this point do the expected future cash flows from loans deteriorate significantly.

The level of impairment is calculated using models which use historical payment performance to generate the estimated amount and timing of future cash flows from each arrears stage, and are regularly tested using subsequent cash collections to ensure they retain sufficient accuracy. The impairment models are regularly reviewed to take account of the current economic environment, product mix and recent customer payment performance. However, on the basis that the payment performance of customers could be different from the assumptions used in estimating future cash flows, a material adjustment to the carrying value of amounts receivable from customers may be required.

To the extent that the net present value of estimated future cash flows differs by +/- 1%, it is estimated that the amounts receivable from customers would be approximately £7.5m (2011: £7.5m) higher/lower.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

FINANCIAL AND CAPITAL RISK MANAGEMENT

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

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

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

(a) Credit risk

Credit risk is the risk that the company will suffer loss in the event of a default by a customer or a bank counterparty. A default occurs when the customer or bank fails to honour repayments as they fall due.

Amounts receivable from customers

The company's maximum exposure to credit risk on amounts receivable from customers as at 31 December 2012 is the carrying value of amounts receivable from customers of £746.8m (2011: £748.7m).

Credit risk within the Consumer Credit Division (CCD) is managed by the CCD credit committee which meets at least every two months and is responsible for approving credit control policy and decisioning strategy.

Credit risk is managed using a combination of lending policy criteria, credit scoring (including behavioural scoring), policy rules, individual lending approval limits, central underwriting, and a home visit to make a decision on applications for credit.

The loans offered by the company are short-term, typically a contractual period of around a year, with an average value of around £500. The loans are underwritten in the home by an agent with emphasis placed on any previous lending experience with the customer and the agent's assessment of the credit risk based on a completed application form and the home visit. Once a loan has been made, the agent visits the customer weekly to collect the weekly payment. The agent is well placed to identify signs of strain on a customer's income and can moderate lending accordingly. Equally, the regular contact and professional relationship that the agent has with the customer allows them to manage customers' repayments effectively even when the household budget is tight. This can be in the form of taking part-payments, allowing missed payments or occasionally restructuring the debt in order to maximise cash collections.

Agents are almost entirely paid commission for what they collect and not for what they lend, so their primary focus is on ensuring loans are affordable at the point of issue and then on collecting cash. Affordability is reassessed by the agent each time an existing customer is re-served, or not as the case may be. This normally takes place within 12 months of the previous loan because of the short-term nature of the product.

Arrears management is a combination of central letters, central telephony, and field activity undertaken by field management. This will often involve a home visit to discuss the customer's reasons for non-payment and to agree a resolution.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Bank counterparties

The company's maximum exposure to credit risk on bank counterparties as at 31 December 2012 was £nil (2011: £0.2m).

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

(b) Liquidity risk

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

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

The group's funding and liquidity policy is designed to ensure that the group is able to continue to fund the growth of the business. The group therefore maintains committed borrowing facilities and access to retail deposit funding to meet forecast borrowing requirements, including contractual maturities, at all times for at least the following 12 months. As at 31 December 2012, the group's committed borrowing facilities had a weighted average maturity of 3.7 years (2011: 3.5 years) and the headroom on these committed facilities amounted to £191.9m (2011: £288.1m).

The group is less exposed than other mainstream lenders to liquidity risk as the loans issued by the Consumer Credit Division, the group's largest business, are of short-term duration (typically around one year) whereas the group's borrowings extend over a number of years.

A maturity analysis of the undiscounted contractual cash flows of the group's bank and other borrowings, including derivative financial instruments settled on a net and gross basis, is set out in the annual report of Provident Financial plc.

(c) Interest rate risk

Interest rate risk is the risk of a change in external interest rates which leads to an increase in the company's cost of borrowing.

The group's exposure to movements in interest rates is managed by the treasury committee and is governed by a board approved interest rate hedging policy which forms part of the group's treasury policies.

The group seeks to limit the net exposure to changes in sterling interest rates. This is achieved through a combination of issuing fixed-rate debt and by the use of derivative financial instruments such as interest rate swaps.

A 2% movement in the interest rate applied to borrowings during 2012 and 2011 would not have had a material impact on the group's profit before taxation or equity as the group's interest rate risk was substantially hedged. Further details of the interest rate risk management are detailed within the annual report of Provident Financial plc.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(d) Foreign exchange rate risk

Foreign exchange rate risk is the risk of a change in foreign currency exchange rates leading to a reduction in profits or equity.

The group's exposure to movements in foreign exchange rates is monitored monthly by the group treasury committee and is governed by a board approved foreign exchange rate risk management policy which forms part of the group's treasury policies.

The group's exposures to foreign exchange rate risk arise solely from (i) the issuance of US dollar private placement loan notes, which are fully hedged into sterling through the use of cross-currency swaps, and (ii) the company's operations in the Republic of Ireland, which are hedged by matching euro-denominated net assets with euro-denominated borrowings as closely as practicable.

As at 31 December 2012, a 2% movement in the sterling to euro exchange rate would have led to a £1.1m (2011: £1.1m) movement in customer receivables with an opposite movement of £1.1m (2011: £1.1m) in external borrowings. Due to the natural hedging of matching euro-denominated assets with euro-denominated liabilities, there would have been no impact on reported profits or equity (2011: £nil).

(e) Market risk

Market risk is the risk of loss due to adverse market movements caused by active trading positions taken in interest rates, foreign exchange markets, bonds and equities. The company's and group's policies do not permit it or the group to undertake position taking or trading books of this type and therefore neither it nor the group does so.

(f) Capital risk

Capital risk is managed by the group's centralised treasury department. The group manages capital risk by focussing on capital efficiency and effective risk management. This aims to maintain sufficient, but not excessive, financial strength, optimise the debt to equity structure of the company and support dividend payments to the parent. This takes into account the requirements of a variety of different stakeholders including shareholders, policyholders, regulators and rating agencies. A more detailed explanation of the management of capital risk can be found in the annual report of Provident Financial plc.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS

1 Revenue	2012	2011
	£m	£m
Interest income	587.1	587.0

2 Finance income	2012	2011
	£m	£m
Interest receivable from parent undertaking	14.1	5.5

3 Finance costs	2012	2011
	£m	£m
Interest payable on bank borrowings	1.5	5.4
Interest payable to other group undertakings	49.8	50.8
Total finance costs	51.3	56.2

The preference dividends paid in the year in respect of the preference shares issued in 2002 (coupon rate 5.165%) and 2004 (coupon rate 5.84%) were 0.05p (2011: 0.05p) and 0.06p (2011: 0.06p) per share respectively. The total annual preference dividend cost was £16,000 (2011: £16,000).

4 Profit before taxation	2012	2011
	£m	£m
Profit before taxation is stated after charging:		
Depreciation of property, plant and equipment (note 9)	1.4	1.4
Loss on disposal of property, plant and equipment (note 9)	-	0.1
Operating lease rentals:		
- property	0.3	0.3
Employment costs (note 8(b))	74.4	78.0
Impairment of amounts receivable from customers (note 10)	179.7	174.3

Auditor's remuneration payable to Deloitte LLP in respect of the audit of the company's financial statements totalled £28,000 (2011: £nil). Auditor's remuneration payable to PricewaterhouseCoopers LLP in respect of the audit of the company's financial statements totalled £nil (2011: £38,000).

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Tax charge

	2012	2011
	£m	£m
Tax charge in the income statement		
Current tax		
- UK		
- current year	(24.6)	(18.9)
- prior year	0.2	0.1
- Overseas		
- current year	(1.0)	(1.2)
- prior year	0.1	0.4
Deferred tax (note 15)		
- current year	0.1	(5.1)
- prior year	(0.1)	(0.3)
Impact of change in UK tax rate	(0.1)	(0.2)
Total tax charge	(25.4)	(25.2)

The standard rate of UK corporation tax reduced from 26% to 24% with effect from 1 April 2012 and will reduce from 24% to 23% with effect from 1 April 2013.

As a result of the change in UK corporation tax rates, deferred tax balances have been re-measured. Deferred tax has been measured at a tax rate of 23% (2011: 25%) on the basis the deferred tax all relates to temporary differences expected to reverse after 1 April 2013 (2011: 1 April 2012).

A tax charge of £0.1m in 2012 (2011: £0.2m) represents the income statement adjustment to deferred tax as a result of this change. No additional deferred tax credit/charge has been required directly to equity to reflect the impact of the change in UK corporation tax rates on items previously reflected directly in equity (2011: none).

The total tax credit in respect of items taken directly to other comprehensive income in equity was £0.1m (2011: charge of £0.1m). This was in respect of current tax on cash flow hedges.

The rate of tax charge on the profit before taxation for the year is lower than (2011: in line with) the average standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). This can be reconciled as follows:

	2012	2011
	£m	£m
Profit before taxation	108.2	95.0
Profit before taxation multiplied by the average standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	(26.5)	(25.2)
Effects of:		
- impact of change in UK tax rate	(0.1)	(0.2)
- benefit of lower rates overseas	1.0	-
- adjustment in respect of prior years	0.2	0.2
Total tax charge	(25.4)	(25.2)

6 Dividends

	2012	2011
	£m	£m
2011 interim - 22.3p per share	-	65.0
2012 interim - 21.0p per share	60.0	-
Dividends paid	60.0	65.0

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Directors' remuneration

The emoluments of the directors, excluding C D Gillespie, are paid by the parent company, Provident Financial Management Services Limited, and recharged to the company as part of a management charge. This management charge, which in 2012 amounted to £5.5m (2011: £5.1m), also includes a recharge of administrative costs borne by the parent company on behalf of the company and it is not possible to identify separately the amount relating to each director's emoluments. The emoluments of these directors are disclosed in the financial statements of Provident Financial Management Services Limited.

The emoluments of C D Gillespie are paid by the ultimate parent company, Provident Financial plc, and recharged to Provident Financial Management Services Limited. The emoluments of C D Gillespie are included in the aggregate of directors' emoluments disclosed in the financial statements of Provident Financial plc.

During the year six directors exercised share options/awards under share incentive schemes (2011: six).

8 Employee information

(a) The average monthly number of persons employed by the company was as follows:

	2012 Number	2011 Number
Administrative	670	692
Operations	1,470	1,502
Total	2,140	2,194
Analysed as:		
Full time	1,762	1,811
Part time	378	383
Total	2,140	2,194

(b) Employment costs – all employees

	2012 £m	2011 £m
Aggregate gross wages and salaries paid to the company's employees	59.5	62.6
Employer's National Insurance contributions	6.2	6.5
Pension charge (note 14)	8.3	8.1
Share-based payment charge (note 20)	0.4	0.8
Total	74.4	78.0

All the above employee information excludes directors who are charged directly in Provident Financial Management Services Limited. These costs are recharged back to the company at the year end.

The pension charge comprises contributions to the defined benefit and stakeholder pension plan (see note 14).

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Property, plant and equipment

	Equipment and vehicles	
	2012	2011
	£m	£m
Cost		
At 1 January	6.2	15.7
Additions	1.8	1.7
Disposals	(1.1)	(11.2)
Transfer from group undertakings	0.1	-
At 31 December	7.0	6.2
Accumulated depreciation		
At 1 January	2.6	11.7
Charged to the income statement	1.4	1.4
Disposals	(0.8)	(10.5)
Transfer from group undertakings	0.1	-
At 31 December	3.3	2.6
Net book value at 31 December	3.7	3.6
Net book value at 1 January	3.6	4.0

The loss on disposal of property, plant and equipment in 2012 amounted to £nil (2011: £0.1m) and represented proceeds received of £0.3m (2011: £0.6m) less the net book value of disposals of £0.3m (2011: £0.7m).

10 Amounts receivable from customers

	2012			2011		
	Due within one year £m	Due in more than one year £m	Total £m	Due within one year £m	Due in more than one year £m	Total £m
Amounts receivable from customers	659.7	87.1	746.8	669.7	79.0	748.7

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows discounted at the effective interest rate. The average effective interest rate for the year ended 31 December 2012 was 103% (2011: 101%).

The average period to maturity of the amounts receivable from customers is 6.0 months (2011: 5.9 months).

The fair value of amounts receivable from customers is approximately £1.0 billion (2011: £1.0 billion). Fair value has been derived by discounting expected future cash flows (net of collection costs) at the group's weighted average cost of capital at the balance sheet date.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Amounts receivable from customers (continued)

The credit quality of amounts receivable from customers is as follows:

	2012	2011
	£m	£m
Credit quality of amounts receivable from customers		
Neither past due nor impaired	258.4	267.3
Past due but not impaired	114.7	113.0
Impaired	373.7	368.4
Total	746.8	748.7

Past due but not impaired balances relate to loans which are contractually overdue. However, contractually overdue loans are not deemed to be impaired unless the customer has missed two or more cumulative weekly payments in the previous 12-week period since only at this point do the expected future cash flows from loans deteriorate significantly.

The following table sets out the ageing analysis of past due but not impaired balances based on contractual arrears since the inception of the loan:

	2012	2011
	£m	£m
Ageing analysis of past due but not impaired balances		
One week overdue	75.7	73.7
Two weeks overdue	16.9	18.3
Three weeks or more overdue	22.1	21.0
Past due but not impaired	114.7	113.0

Impairment is deducted directly from amounts receivable from customers without the use of an allowance account.

An impairment charge of £179.7m (2011: £174.3m) in respect of amounts receivable from customers is reflected within the operating costs for the year.

The currency profile of amounts receivable from customers is as follows:

	2012	2011
	£m	£m
Currency profile of amounts receivable from customers		
Sterling	685.8	690.7
Euro	61.0	58.0
Total	746.8	748.7

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Financial instruments

The following table sets out the carrying value of the company's financial assets and liabilities in accordance with the categories of financial instruments set out in IAS 39. Assets and liabilities outside the scope of IAS 39 are shown within non-financial assets/liabilities:

	2012				
	Loans and receivables £m	Amortised cost £m	Hedging derivatives £m	Non- financial assets/ liabilities £m	Total £m
Assets					
Cash and cash equivalents	15.1	-	-	-	15.1
Amounts receivable from customers	746.8	-	-	-	746.8
Trade and other receivables	219.2	-	-	-	219.2
Property, plant and equipment	-	-	-	3.7	3.7
Deferred tax assets	-	-	-	1.1	1.1
Total assets	981.1	-	-	4.8	985.9
Liabilities					
Bank and other borrowings	-	(1.0)	-	-	(1.0)
Trade and other payables	-	(789.1)	-	-	(789.1)
Derivative financial instruments	-	-	(0.2)	-	(0.2)
Current tax liabilities	-	-	-	(9.0)	(9.0)
Preference shares	-	-	-	(0.3)	(0.3)
Total liabilities	-	(790.1)	(0.2)	(9.3)	(799.6)
	2011				
	Loans and receivables £m	Amortised cost £m	Hedging derivatives £m	Non- financial assets/ liabilities £m	Total £m
Assets					
Cash and cash equivalents	23.3	-	-	-	23.3
Amounts receivable from customers	748.7	-	-	-	748.7
Derivative financial instruments	-	-	0.2	-	0.2
Trade and other receivables	208.9	-	-	-	208.9
Property, plant and equipment	-	-	-	3.6	3.6
Deferred tax assets	-	-	-	1.1	1.1
Total assets	980.9	-	0.2	4.7	985.8
Liabilities					
Bank and other borrowings	-	(200.4)	-	-	(200.4)
Trade and other payables	-	(619.1)	-	-	(619.1)
Current tax liabilities	-	-	-	(2.6)	(2.6)
Preference shares	-	-	-	(0.3)	(0.3)
Total liabilities	-	(819.5)	-	(2.9)	(822.4)

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Derivative financial instruments

The company uses foreign exchange contracts in order to manage the foreign exchange rate risk arising from the company's operations in the Republic of Ireland. The company does not enter into speculative transactions or positions. A liability of £0.2m is held in the company balance sheet as at 31 December 2012 in respect of foreign exchange contracts (2011: asset of £0.2m).

The company's foreign exchange contracts comprise forward foreign exchange contracts to buy sterling for a total notional amount of £6.1m (2011: £6.7m). These contracts have a range of maturity dates from 12 February 2013 to 15 October 2013 (2011: 14 February 2012 to 13 November 2012). These contracts were designated and were effective under IAS 39 as cash flow hedges in the year and, accordingly, the movement in fair value of £0.4m has been charged to the hedging reserve within equity (2011: credit of £0.3m).

Foreign exchange differences under the net investment hedge are recognised in other comprehensive income. This amounted to £nil in 2012 (2011: £nil).

The fair value of derivative financial instruments has been calculated by discounting contractual future cash flows using relevant market interest rate yield curves and foreign exchange rates prevailing at the balance sheet date. Under IFRS 7, 'Financial instruments: Disclosures' these are therefore classed as Level 2 derivatives.

13 Trade and other receivables

	2012	2011
	£m	£m
Current assets		
Other receivables	7.4	3.2
Amounts owed by ultimate parent undertaking	1.2	1.4
Amounts owed by parent undertaking	203.1	200.0
Amounts owed by subsidiary undertaking	7.1	3.5
Amounts owed by fellow subsidiary undertaking	0.1	0.1
Prepayments and accrued income	0.3	0.7
Total	219.2	208.9

Amounts owed by parent and fellow subsidiary undertakings are unsecured, repayable on demand or within one year and generally accrue interest at rates linked to LIBOR.

The maximum exposure to credit risk of trade and other receivables is the carrying value of each class of receivable set out above (2011: carrying value set out above). There is no collateral held in respect of trade and other receivables (2011: £nil). The fair value of trade and other receivables equates to their book value (2011: fair value equated to book value).

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Retirement benefits

The company's employees participate in both defined benefit and defined contribution pension schemes.

(a) Pension schemes - defined benefit

In order to provide its employees with a defined benefit pension, the company participates in the Provident Financial Staff Pension Scheme. This scheme has been substantially closed to new members since 1 January 2003. Following a full group review of pension scheme arrangements, 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. For members that switched to paying lower member contributions, the benefits accrued before they switched would retain a link to their final salary at retirement.

During 2012, the group further reviewed its pension arrangements and from 31 December 2012 the link to final salary at retirement will no longer apply. Furthermore, no future final salary benefits will accrue, with all members now accruing benefits based on a percentage of salary that is revalued each year. As a result of this change, the past accrued final salary benefits will increase in the future in line with statutory revaluations (now linked to CPI inflation), rather than in line with future salary increases.

The scheme is a multi-employer scheme, sponsored by Provident Financial plc and, although the company participates in the scheme, there is no contractual agreement for charging the company a portion of the defined benefit costs of the plan as a whole. In accordance with IAS 19, 'Employee benefits', the company recognises the contributions payable in respect of its current employees in its individual financial statements, similar to the treatment of a defined contribution scheme. In 2012 these contributions amounted to £6.9m (2011: £7.0m). The expected contributions to the defined benefit pension scheme in the year ending 31 December 2013 are approximately £11.0m.

In accordance with IAS19, the sponsoring company, Provident Financial plc, and the consolidated group, recognises the defined benefit cost and the retirement benefit asset in respect of the Provident Financial Staff Pension Scheme.

The retirement benefit asset reflects the difference between the present value of the group's obligation to current and past employees to provide a defined benefit pension and the fair value of assets held to meet that obligation. As at 31 December 2012, the fair value of the assets exceeded the obligation and hence a net pension asset has been recorded in the group's financial statements.

In participating in a defined benefit pension scheme, the group exposes itself to the risk that there may be insufficient assets to meet the liabilities as they fall due either as a result of the volatility in equity markets and corporate bond yields or as a result of improving mortality rates. The group has mitigated this risk by closing the scheme to new members in favour of cash balance and defined contribution schemes and putting in place an investment strategy which aims to maintain an appropriate balance of assets between equities and bonds. In participating in the defined benefit scheme, the company also exposes itself to the risk that future cash contributions may fluctuate dependent on the funding surplus/deficit of the scheme as well as fluctuations in the schemes expenses.

The most recent actuarial valuation of the scheme was carried out as at 1 June 2009 by a qualified independent actuary. A valuation as at 1 June 2012 is currently in progress but is not yet finalised. The valuation used for the purposes of IAS 19 'Employee benefits' has been based on the preliminary results of the 2012 valuation, updated by the actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at the balance sheet date. Scheme assets are stated at fair value as at the balance sheet date.

The retirement benefit asset disclosures relating to the group as a whole, as disclosed in the financial statements of Provident Financial plc, are shown below.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Retirement benefits (continued)

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

	2012		Group 2011	
	£m	%	£m	%
Equities	249.2	44	218.4	42
Corporate bonds	187.4	33	173.9	33
Fixed interest gilts	-	-	28.4	5
Index-linked gilts	103.9	18	103.2	20
Cash and money market funds	30.2	5	1.1	-
Total fair value of scheme assets	570.7	100	525.0	100
Present value of funded defined benefit obligations	(547.7)		(511.5)	
Net retirement benefit asset recognised in the balance sheet	23.0		13.5	

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

	Group	
	2012 £m	2011 £m
Fair value of scheme assets at 1 January	525.0	514.1
Expected return on scheme assets	27.5	32.0
Actuarial movement on scheme assets	23.4	(18.4)
Contributions by the group	10.1	10.0
Net benefits paid out	(15.3)	(12.7)
Fair value of scheme assets at 31 December	570.7	525.0

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

	Group	
	2012 £m	2011 £m
Present value of defined benefit obligation at 1 January	(511.5)	(473.1)
Current service cost	(6.8)	(7.0)
Interest cost	(24.9)	(25.4)
Curtailed credit	17.7	-
Actuarial movement on scheme liabilities	(37.5)	(18.7)
Net benefits paid out	15.3	12.7
Present value of defined benefit obligation at 31 December	(547.7)	(511.5)

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Retirement benefits (continued)

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

	2012	Group 2011
	%	%
Price inflation	3.00	3.00
Rate of increase in pensionable salaries	-	4.00
Rate of increase to pensions in payment	2.80	3.00
Inflationary increase to pensions in deferment	2.25	2.00
Discount rate	4.50	4.90
Long-term rate of return		
- equities	7.20	7.50
- bonds	4.50	4.90
- fixed interest gilts	-	2.50
- index-linked gilts	3.00	2.50
- cash and money market funds	2.50	2.50
- overall (weighted average)	5.30	5.40

(b) Pension schemes - defined contribution

The group operates a stakeholder pension plan into which the company contributes a proportion of pensionable earnings of the member (typically ranging between 5.1% and 10.6%) dependent on the proportion of pensionable earnings contributed by the member through a salary sacrifice (typically ranging between 3.0% and 8.0%). The pension charge in the company's income statement represents contributions payable by the company in respect of the plan and amounted to £1.4m for the year ended 31 December 2012 (2011: £1.1m). No contributions were payable to the fund at the year end (2011: £nil).

The company made no contributions to personal pension plans in the year (2011: £nil).

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method. As a result of the change in UK corporation tax rates effective from 1 April 2013, deferred tax balances have been re-measured. Deferred tax has been measured at a tax rate of 23% (2011: 25%) on the basis the deferred tax all relates to temporary differences expected to reverse after 1 April 2013 (2011: 1 April 2012). The movement in the deferred tax asset during the year can be analysed as follows:

	2012	2011
Asset	£m	£m
At 1 January	1.1	6.8
Charge to the income statement (note 5)	-	(5.4)
Credit/(charge) on other comprehensive income	0.1	(0.1)
Impact of change in UK tax rate:		
- charge to the income statement	(0.1)	(0.2)
At 31 December	1.1	1.1

An analysis of the deferred tax asset for the company is set out below:

	2012			2011		
	Accelerated capital allowances	Other temporary differences	Total	Accelerated capital allowances	Other temporary differences	Total
	£m	£m	£m	£m	£m	£m
At 1 January	0.4	0.7	1.1	0.5	6.3	6.8
Charge to the income statement	-	-	-	(0.1)	(5.3)	(5.4)
Credit/(charge) on other comprehensive income	-	0.1	0.1	-	(0.1)	(0.1)
Impact of change in UK tax rate:						
- charge to the income statement	-	(0.1)	(0.1)	-	(0.2)	(0.2)
At 31 December	0.4	0.7	1.1	0.4	0.7	1.1

Deferred tax assets have been recognised in respect of all tax losses and other temporary timing differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

16 Cash and cash equivalents

	2012	2011
	£m	£m
Cash at bank and in hand	15.1	23.3

The currency profile of cash and cash equivalents is as follows:

	2012	2011
Currency	£m	£m
Sterling	14.9	23.3
Euro	0.2	-
Total	15.1	23.3

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Bank and other borrowings

(a) Borrowing facilities and borrowings

Borrowing facilities principally comprise borrowings from banks and group undertakings, together with overdrafts which are repayable on demand.

As at 31 December 2012, borrowings under these facilities amounted to £1.0m (2011: £200.4m). During the year, external borrowings of £200.0m from the bank syndicated facilities was repaid as part of the refinancing of all such facilities and replaced by borrowings from the ultimate parent company. The refinancing of the bank syndicated facility was completed in February 2012 and the group entered into a new committed facility of £382.5m maturing in May 2015.

(b) Maturity profile of bank and other borrowings

The maturity of borrowings, together with the maturity of facilities, is as follows:

	Borrowings	
	2012	2011
	£m	£m
Repayable:		
On demand	1.0	0.4
Included in current liabilities	1.0	0.4
Between one and two years	-	200.0
Included in non-current liabilities	-	200.0
Total	1.0	200.4

The company, together with Provident Financial plc, are permitted borrowers under the bank syndicated facility. As at December 2012, the company had no outstanding borrowings under this facility.

The syndicated facilities of the group as at 31 December 2012 comprised £382.5m maturing in May 2015. Headroom on these committed facilities was £191.9m as at 31 December 2012. The weighted average period to maturity of these committed facilities was 2.35 years (2011: 0.96 years). Given that the group manages liquidity risk through the centralised treasury function it is more appropriate to review the borrowings maturity profile and undrawn facilities of the group as disclosed in the annual report of Provident Financial plc.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 Trade and other payables

	2012	2011
	£m	£m
Current liabilities		
Trade payables	1.0	1.1
Amounts owed to ultimate parent undertaking	778.0	596.7
Amounts owed to parent undertaking	-	8.5
Amounts payable to fellow subsidiaries	1.5	-
Other payables including taxation and social security	2.7	3.3
Accruals	5.9	9.5
Total	789.1	619.1

The fair value of trade and other payables equates to their book value (2011: fair value equated to book value). The amounts owed to ultimate parent, parent and fellow subsidiary undertakings are unsecured, due for repayment in less than one year and accrue interest at rates linked to LIBOR.

	2012	2011
	£m	£m
Non-current liabilities		
Preference shares	0.3	0.3

	2012		2011	
	Authorised	Issued and fully paid	Authorised	Issued and fully paid
Preference shares of 1p each				
- £m	0.3	0.3	0.3	0.3
- number (m)	30.2	30.2	30.2	30.2

The 17,676,000 preference shares issued in 2002 had a right to a special dividend of £0.9909 in 2002, an annual coupon of 5.165% and a return on capital on a winding up of £0.01 per share.

The 12,523,000 preference shares issued in 2004 had a right to a special dividend of £0.9910 in 2004, an annual coupon of 5.84% and a return on capital on a winding up on £0.01 per share.

19 Share capital

	2012		2011	
	Authorised	Issued and fully paid	Authorised	Issued and fully paid
Ordinary shares of 25p each				
- £m	99.8	71.5	99.8	71.5
- number (m)	399.3	286.2	399.3	286.2

There are no shares issued and not fully paid at the end of the year (2011: no shares).

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Share-based payments

Provident Financial plc operates four share schemes: the Long Term Incentive Scheme (LTIS), employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)), senior executive share option schemes (ESOS/SESO) and the Performance Share Plan (PSP) where shares in the parent company are available to the employees of the company. During 2012, options have been granted under the SAYE scheme only (2011: awards/options granted under the LTIS and SAYE schemes only). The charge to the income statement during the year was £0.4m (2011: £0.8m) based on the awards/options granted to the company's employees. The assumptions to consider the appropriate fair values of options are outlined below.

	2012		2011	
	SAYE	LTIS	SAYE	
Grant date	28-Sep-12	4-Mar-11	31-Aug-11	
Share price at grant date (£)	13.75	9.53	11.04	
Exercise price (£)	10.56	-	8.68	
Shares under option	156,598	6,852	150,433	
Vesting period (years)	3 and 5	3	3, 5 and 7	
Expected volatility	24.3% to 30.9%	32.9%	29.8% to 32.6%	
Option life (years)	Up to 5	3	Up to 7	
Expected life (years)	Up to 5	3	Up to 7	
Risk-free rate	0.30% to 0.69%	1.86%	0.98% to 2.19%	
Expected dividends expressed as a dividend yield	5.80%	n/a	7.30%	
Fair value per award/option (£)	2.18 to 2.51	6.76	1.79 to 2.04	

The expected volatility is based on historical volatility over the last three, five or seven years as applicable. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero coupon UK government bonds.

A reconciliation of share option movements during the year is shown below:

	LTIS		SAYE	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
2012				
Outstanding at 1 January	116,747	-	821,075	6.94
Granted	-	-	156,598	10.56
Lapsed	(32,705)	-	(69,137)	7.33
Exercised	(23,456)	-	(199,320)	6.58
Transferred	-	-	(17,416)	-
Outstanding at 31 December	60,586	-	691,800	7.98
Exercisable at 31 December	-	-	29,371	6.65

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Share-based payments (continued)

	LTIS		SAYE	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
2011				
Outstanding at 1 January	198,350	-	887,003	6.47
Granted	6,852	-	150,433	8.68
Lapsed	(6,587)	-	(65,718)	6.72
Exercised	(5,760)	-	(150,643)	6.09
Transferred	(76,108)	-	-	-
Outstanding at 31 December	116,747	-	821,075	6.94
Exercisable at 31 December	-	-	200,019	5.90

Share awards outstanding under the LTIS scheme at 31 December 2012 had an exercise price of £nil (2011: £nil) and a weighted average remaining contractual life of 0.4 years (2011: 0.8 years). Share options outstanding under the SAYE schemes at 31 December 2012 had a range of exercise prices of 491p to 1,056p (2011: 453p to 868p) and a weighted average remaining contractual life of 2.2 years (2011: 2.1 years).

No options/awards were granted to employees of the company in respect of the ESOS/SESO, LTIS or PSP schemes.

The transfer of options in 2012 and 2011 occurred due to an intercompany transfer between Provident Personal Credit Limited, Provident Financial Management Services Limited and Greenwood Personal Credit Limited. In line with IFRS 2: 'Share-based payment', the charge has remained in the company which benefitted from the employee's service.

21 Other reserves

	Share-based payment reserve £m	Hedging reserve £m	Total other reserves £m
At 1 January 2011	2.8	(0.1)	2.7
Other comprehensive income:			
- cash flow hedges	-	0.3	0.3
- tax on other comprehensive income	-	(0.1)	(0.1)
Other comprehensive income for the year	-	0.2	0.2
Transaction with owners:			
- share-based payment charge	0.8	-	0.8
- transfer of share-based payment reserve	(0.9)	-	(0.9)
At 31 December 2011	2.7	0.1	2.8
At 1 January 2012	2.7	0.1	2.8
Other comprehensive income:			
- cash flow hedges	-	(0.4)	(0.4)
- tax on other comprehensive income	-	0.1	0.1
Other comprehensive income for the year	-	(0.3)	(0.3)
Transaction with owners:			
- share-based payment charge	0.4	-	0.4
- transfer of share-based payment reserve	(0.5)	-	(0.5)
At 31 December 2012	2.6	(0.2)	2.4

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Commitments

Commitments under operating leases are as follows:

	2012	2011
	£m	£m
Due within one year	0.3	0.3
Due between one and five years	0.5	0.4
Due in more than five years	0.2	0.3
Total	1.0	1.0

The operating lease commitments are non-cancellable and principally relate to property leases.

Other company commitments are as follows:

	2012	2011
	£m	£m
Capital expenditure commitments contracted with third parties but not provided for at 31 December	-	0.2

The capital expenditure commitments contracted with third parties but not provided for in 2011 related to property, plant and equipment.

23 Related party transactions

Details of the transactions between the company and other group undertakings, which comprise management recharges and interest charges or credits on intra-group balances, along with any balances outstanding at 31 December 2012 are set out below:

	2012			2011		
	Management recharge	Interest charge	Outstanding balance	Management recharge	Interest charge	Outstanding balance
	£m	£m	£m	£m	£m	£m
Ultimate parent undertaking	-	49.8	(776.9)	-	50.7	(596.7)
Immediate parent undertaking	63.9	(14.1)	203.1	61.6	(5.5)	191.5
Other subsidiaries of the immediate parent undertaking	(5.8)	-	5.8	(5.2)	-	5.0
Total	58.1	35.7	(568.0)	56.4	45.2	(400.2)

The outstanding balance represents the gross intercompany balance receivable from/(payable to) the company.

24 Contingent liabilities

The company is a guarantor in respect of: (i) borrowings made by the company's ultimate parent undertaking; and (ii) guarantees given by the company's ultimate parent undertaking in respect of borrowings of certain of its subsidiaries to a maximum of £1,074.7m (2011: £1,000.3m). At 31 December 2012, the borrowings amounted to £869.4m (2011: £702.8m). No loss is expected to arise.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 Reconciliation of profit after taxation to cash generated from operations

	Note	2012 £m	2011 £m
Profit after taxation		82.8	69.8
Adjusted for:			
- tax charge	5	25.4	25.2
- finance income	2	(14.1)	(5.5)
- finance costs	3	51.3	56.2
- share-based payment charge	20	0.4	0.8
- depreciation of property, plant and equipment	9	1.4	1.4
- loss on disposal of property, plant and equipment	9	-	0.1
Changes in operating assets and liabilities:			
- amounts receivable from customers		1.9	(1.8)
- trade and other receivables		(10.3)	(0.7)
- trade and other payables		(31.0)	2.9
Cash generated from operations		107.8	148.4

26 Parent undertaking and controlling party

The immediate parent undertaking is Provident Financial Management Services Limited.

The ultimate parent undertaking and controlling party is Provident Financial plc, a company incorporated in the United Kingdom, which is the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of Provident Financial plc may be obtained from the Company Secretary, Provident Financial plc, No. 1 Godwin Street, Bradford, BD1 2SU.