

PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED
(Company Number 328933)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED
(Company Number 328933)

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PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED

(Company Number 328933)

DIRECTORS' REPORT

Provident Financial Management Services 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 management services to its subsidiaries within the Consumer Credit Division ('CCD') of Provident Financial plc. During 2015, the company received dividends from subsidiary undertakings of £75.0m from Provident Personal Credit Limited (2014: £85.0m) and £nil from Greenwood Personal Credit Limited (2014: £5.0m).

Due to the company's net current liability position at the year-end, the immediate and ultimate parent undertaking, Provident Financial plc, has confirmed its continued support for the company. Accordingly the financial statements of the company have been prepared on a going concern basis.

Results

The statement of comprehensive income for the year is set out on page 6. The profit for the year of £58.6m (2014: £73.6m) has been added to reserves.

Dividends

During the year ended 31 December 2015, the directors paid an interim dividend on the ordinary shares of the company of £55.0m (2014: £70.0m), which has been deducted from reserves. The directors do not recommend the payment of a final dividend (2014: £nil).

Directors

The directors of the company during the year ended 31 December 2015, all of whom were directors for the whole year then ended and to the date of this report, except where stated, were:

P S Crook	Chairman
A C Fisher	
M Stevens	
T R Anson	
P A McLelland	
A J Parkinson	
S A F Lawrence	(Appointed 1 February 2015)
S W Sinclair	(Appointed 1 June 2015)
L D Enock	(Appointed 1 December 2015)
J H Vardon	(Appointed 22 February 2016)
S D Shaw	(Resigned 31 March 2015)
S M Dickins	(Resigned 15 July 2015)
J R Gillespie	(Resigned 23 November 2015)
H K Patel	(Resigned 23 November 2015)

Consolidation exemption

The company is not required to produce consolidated accounts for its subsidiaries as the ultimate parent of the company, Provident Financial plc, produces a consolidation which includes the company and its subsidiaries. The financial statements for Provident Financial plc are publically available.

PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED

(Company Number 328933)

DIRECTORS' REPORT (CONTINUED)

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 page 14.

Employee involvement

The company is committed to employee involvement. Employees are kept well informed of the financial and operational performance and strategy of the CCD through weekly huddles, personal briefings and through an increasing use of modern technology. The company now uses social network sites, intranet discussion boards and blogs by employees and managing directors. The company consults with employees regularly, including through employee forums, trade unions and employee surveys, so that their views can be taken into account when making decisions that are likely to affect their interests. CCD plans to relaunch its colleague forum in 2016 with an improved platform which will enable more views and opinions to be heard. They also plan to work with leaders in the business to improve the communication of decisions that create long-term growth for CCD and support the delivery of the division's strategic priorities. The company also provides a wellbeing programme designed to promote physical and mental health. CCD have a gym in their head office facility. The group also has a number of community programmes in place. Employees are also able to share in the group's results through various share schemes.

Equal opportunities

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of gender, pregnancy, race, colour, nationality, ethnic or national origin, disability, sexual orientation, age, marital or civil partner status, gender reassignment or religion or belief. 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 group including making reasonable adjustments where required. 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.

Auditor information

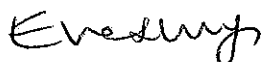
In accordance with section 418 of the Companies Act 2006, each person who is a director at the date of this report confirmed that:

- i) so far as he/she 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

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
9 March 2016

PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED

(Company Number 328933)

STRATEGIC REPORT

The company's profit before taxation and exceptional costs in 2015 was £58.6m (2014: £68.9m). An exceptional cost of £3.8m has been incurred in 2015 relating to the redundancy costs as part of a business restructuring within the company including a headcount reduction of 90 employees. The exceptional cost in 2014 of £0.8m related to redundancy costs as part of a business restructuring within the company including a headcount reduction of 15 employees.

Revenue recognised through the provision of management services to other group undertakings increased by 26.5% to £120.9m (2014: £95.6m), consistent with the higher costs detailed below.

Dividend income in 2015 of £75.0m (2014: £90.0m) was generated through dividends from subsidiary undertakings of £75.0m from Provident Personal Credit Limited (2014: £85.0m) and £nil from Greenwood Personal Credit Limited (2014: £5.0m).

Operating costs and administrative costs before exceptional costs increased by 22.5% to £111.0m (2014: £90.6m) following investment in enhancing IT and business development processes and an increase in regulatory and compliance overheads.

Regulatory change

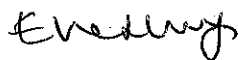
From 1 April 2014, the Financial Conduct Authority (FCA) replaced the Office of Fair Trading (OFT) as the regulator of consumer credit in the UK. All consumer credit firms were required to submit applications for authorisation to the FCA prior to set deadlines. The company has obtained interim permissions under the new regime and submitted its application for full authorisation in May 2015. Whilst the outcome of the regulator's process of reviewing applications carries some inherent uncertainty, the business continues to have a constructive dialogue with the FCA, responding to questions and information requests relevant to obtaining the necessary authorisation.

Going concern

Due to the company's net current liability position at the year-end, the immediate and ultimate parent undertaking, Provident Financial plc, has confirmed its continued support for the company for at least the next 12 months. Accordingly the financial statements of the company have been prepared on a going concern basis of accounting. Further details on the basis of preparation are provided on page 9.

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 and financial statements of Provident Financial plc.

BY ORDER OF THE BOARD



E G Versluys
Company Secretary
Bradford
9 March 2016

PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED
(Company Number 328933)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

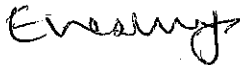
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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 suitable accounting policies and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS 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
9 March 2016

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED**

We have audited the financial statements of Provident Financial Management Services Limited for the year ended 31 December 2015 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in shareholder's equity, the statement of cash flows, the statement of accounting policies, the financial and capital risk management report and the related notes 1 to 24 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of the audit. 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 2015 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 and the strategic 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.

Stewart Cumberbatch

Stewart Cumberbatch FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom
9 March 2016

PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED
(Company Number 328933)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2015 £m	2014 £m
Revenue	1	120.9	95.6
Dividend income		75.0	90.0
Total income		195.9	185.6
Finance costs	2	(26.3)	(26.1)
Operating costs		(13.1)	(9.8)
Administrative costs		(101.7)	(81.6)
Total costs		(141.1)	(117.5)
Profit before taxation	3	54.8	68.1
Profit before taxation and exceptional costs	3	58.6	68.9
Exceptional costs	3	(3.8)	(0.8)
Tax credit	4	3.8	5.5
Profit and total comprehensive income for the year attributable to the equity shareholder		58.6	73.6

All of the above operations relate to continuing operations.

PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED
(Company Number 328933)

BALANCE SHEET

As at 31 December	Note	2015 £m	2014 £m
ASSETS			
Non-current assets			
Intangible assets	8	20.2	12.6
Property, plant and equipment	9	9.1	7.1
Investments in subsidiaries	10	800.3	800.3
Deferred tax assets	15	1.9	1.7
		831.5	821.7
Current assets			
Financial assets:			
- trade and other receivables	13	103.6	102.9
- cash and cash equivalents	11	-	0.1
Current tax assets		3.5	5.4
		107.1	108.4
Total assets		938.6	930.1
LIABILITIES			
Current liabilities			
Financial liabilities:			
- bank and other borrowings	16	(0.1)	(0.1)
- trade and other payables	17	(222.5)	(218.8)
		(222.6)	(218.9)
Non-current liabilities			
Financial liabilities:			
- trade and other payables	17	(438.2)	(438.2)
		(438.2)	(438.2)
Total liabilities		(660.8)	(657.1)
NET ASSETS		277.8	273.0
SHAREHOLDER'S EQUITY			
Share capital	18	257.8	257.8
Share-based payment reserve	19	2.0	1.7
Retained earnings		18.0	13.5
TOTAL SHAREHOLDER'S EQUITY		277.8	273.0

The financial statements on pages 6 to 28 were approved by the board of directors on 9 March 2016 and signed on its behalf by:



M Stevens
Director



P A McLelland
Director

PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED
(Company Number 328933)

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £m	Share-based payment reserve £m	Retained earnings £m	Total £m
At 1 January 2014		257.8	2.7	8.1	268.6
Profit and total comprehensive income for the year		-	-	73.6	73.6
Transactions with owners:					
- share-based payment charge	19	-	0.8	-	0.8
- transfer of share-based payment reserve		-	(1.8)	1.8	-
- dividends	5	-	-	(70.0)	(70.0)
At 31 December 2014		257.8	1.7	13.5	273.0
At 1 January 2015		257.8	1.7	13.5	273.0
Profit and total comprehensive income for the year		-	-	58.6	58.6
Transactions with owners:					
- share-based payment charge	19	-	1.2	-	1.2
- transfer of share-based payment reserve		-	(0.9)	0.9	-
- dividends	5	-	-	(55.0)	(55.0)
At 31 December 2015		257.8	2.0	18.0	277.8

STATEMENT OF CASH FLOWS

	Note	2015 £m	2014 £m
For the year ended 31 December			
Cash flows from operating activities			
Cash generated from operations	23	24.8	17.1
Finance costs paid		(26.3)	(26.1)
Net cash used in operating activities		(1.5)	(9.0)
Cash flows from investing activities			
Purchase of intangible assets	8	(13.2)	(6.8)
Purchase of property, plant and equipment	9	(6.0)	(3.8)
Proceeds from disposal of property, plant and equipment	9	0.6	0.5
Dividends received from subsidiaries		75.0	90.0
Net cash generated from investing activities		56.4	79.9
Cash flows from financing activities			
Dividends paid to company shareholder	5	(55.0)	(70.0)
Net cash used in financing activities		(55.0)	(70.0)
Net increase in cash, cash equivalents and overdrafts		(0.1)	0.9
Cash, cash equivalents and overdrafts at beginning of year		-	(0.9)
Cash, cash equivalents and overdrafts at end of year		(0.1)	-
Cash, cash equivalents and overdrafts at end of year comprise:			
Cash at bank and in hand	11	-	0.1
Overdrafts (held in bank and other borrowings)	16	(0.1)	(0.1)
Total cash, cash equivalents and overdrafts		(0.1)	-

PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED

(Company Number 328933)

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.

Basis of preparation

The financial statements are prepared in accordance with IFRS adopted for use in the European Union (EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, 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 principal accounting policies under IFRS, which have been consistently applied to all years presented unless otherwise stated, are set out below.

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

'Defined benefit plans: Employee contributions (amendments to IAS 19 (Nov 2013))' simplifies the accounting for contributions that are independent of the number of years of employee service (e.g. employee contributions that are calculated according to a fixed percentage of salary). The amendment is mandatory for accounting periods starting on or after 1 July 2014. The amendment was adopted from 1 January 2015 following endorsement by the EU in December 2014, and did not have a material impact on the group or company.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not early adopted:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The final version of the standard was issued in July 2014. The standard primarily impacts the classification and measurement of financial assets and liabilities and introduces the 'expected credit loss' model for the measurement of the impairment of financial assets so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. The company is in the process of assessing the impact of the standard and will adopt the standard in line with the mandatory effective date of 1 January 2018, subject to endorsement by the EU.

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and provides a model for the identification of lease arrangements and the treatment in the financial statements of both lessees and lessors. The standard distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard requires the recognition of a lease liability, being the present value of the lease payments, and a right-to-use asset which will initially be recognised at the same value of the lease liability. This applies to both finance leases and operating leases, which would previously have been held off balance sheet. The company is in the process of assessing the impact of the standard and will adopt the standard from the expected effective date of 1 January 2019, subject to endorsement by the EU.

PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED

(Company Number 328933)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Revenue

Revenue comprises income from the provision of management services and related activities to other group companies which is recognised on an accruals basis.

Dividend income

Dividend income from investments is recognised when the shareholder's rights to receive payment has been established, provided that it is probable that the economic benefits will flow and the amount of revenue can be measured reliably. Dividend income is recognised in the statement of comprehensive income within revenue.

Finance costs

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

Intangible assets

Intangible assets, which comprise computer software and computer software development costs, represent the costs incurred to acquire or develop the specific software and bring it into use. These are valued at cost less subsequent amortisation.

Directly attributable costs associated with the development of software that will generate future economic benefits are capitalised as an intangible asset. Directly attributable costs include the cost of software development employees and an appropriate portion of relevant directly attributable overheads.

Computer software is amortised on a straight-line basis over its estimated useful economic life which is generally estimated to be between three and ten years.

The residual values and economic lives of intangible assets are reviewed by management at each balance sheet date.

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

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Impairment is calculated by comparing the carrying value of the investment to the higher of the net asset value of the relevant subsidiary or its discounted expected future cash flows.

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.

PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED

(Company Number 328933)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

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 statement of comprehensive income.

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

Leases

Leases in which substantially all 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 statement of comprehensive income on a straight line basis over the lease term.

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 statement of comprehensive income 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 as follows:

Final dividend: when approved by the company's board of directors.

Interim dividend: when paid by the company.

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:

For defined contribution schemes the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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

PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED

(Company Number 328933)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Share-based payments

Equity-settled schemes:

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

The cost of providing options and awards to company employees is charged to the statement of comprehensive income 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 their fair value. For PSP schemes, 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 charge is adjusted at each balance sheet date to reflect lapses and expected or actual levels of vesting, with a corresponding adjustment to the share-based payment reserve.

For LTIS schemes, performance conditions are based on divisional profit before taxation targets. Accordingly, the fair value of awards is determined using a binomial option pricing model. The value of the charge is adjusted at each balance sheet date to reflect lapses.

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

Cash-settled schemes:

The company also grants awards under the Provident Financial Equity Plan (PFEP) to eligible employees based on a percentage of their salary. The cost of the awards is based on the performance conditions of divisional profit before tax and share price growth. The scheme is cash settled.

The cost of the award is charged to the statement of comprehensive income over the vesting period and a corresponding credit is made within liabilities. The value of the charge is adjusted at each balance sheet date to reflect expected levels of vesting.

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.

Exceptional costs

Exceptional costs are costs that are unusual because of their size, nature or incidence and which the directors consider should be disclosed separately to enable a full understanding of the company's results.

PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED

(Company Number 328933)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Taxation

The tax entries represents the sum of current and deferred tax.

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

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

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is also provided on temporary differences 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 FINANCIAL MANAGEMENT SERVICES LIMITED

(Company Number 328933)

FINANCIAL AND CAPITAL RISK MANAGEMENT

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

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

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

(a) Liquidity risk

Liquidity risk is the risk that the group 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 through its subsidiary, Vanquis Bank Limited, to meet forecast borrowing requirements, including contractual maturities, at all times for at least the following 12 months. As at 31 December 2015, the group's committed borrowing facilities had a weighted average maturity of 2.8 years (2014: 3.1 years) and the headroom on these committed facilities amounted to £222.3m (2014: £111.5m).

The group is less exposed than other mainstream lenders to liquidity risk as the loans issued by the Consumer Credit Division 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 and financial statements of Provident Financial plc.

(b) 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 group 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 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 2015 and 2014 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 and financial statements of Provident Financial plc.

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FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(c) 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 or the group does so.

(d) 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 and financial statements of Provident Financial plc.

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NOTES TO THE FINANCIAL STATEMENTS

1 Revenue	2015	2014
	£m	£m
Provision of management services	120.9	95.6
2 Finance costs	2015	2014
	£m	£m
Interest payable to other group undertakings	26.3	26.1
3 Profit before taxation	2015	2014
	£m	£m
Profit before taxation is stated after charging:		
Amortisation of intangible assets (note 8)	5.6	4.1
Depreciation of property, plant and equipment (note 9)	3.4	2.7
Operating lease rentals:		
- property	4.2	4.5
Employment costs (prior to exceptional redundancy costs) (note 7(b))	45.1	36.8
Exceptional redundancy costs (note 7(b))	3.8	0.8

An exceptional cost of £3.8m has been incurred in 2015 relating to redundancy as part of a business restructuring within the company, including a headcount reduction of 90 employees. The exceptional cost in 2014 of £0.8m related to redundancy costs associated with 15 employees following a business restructuring within the company.

Auditor's remuneration payable to Deloitte LLP in respect of the audit of the company's financial statements totalled £44,000 (2014: £35,000). Auditor's remuneration to Deloitte LLP in respect of other services was £253,000 (2014: £103,000).

4 Tax credit	2015	2014
	£m	£m
Tax credit in the statement of comprehensive income		
Current tax	3.6	5.6
Deferred tax (note 15)	0.4	(0.1)
Impact of change in UK tax rate	(0.2)	-
Total tax credit	3.8	5.5

During 2015, further reductions in corporation tax rates were enacted, reducing the corporation tax rate from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effect from 1 April 2020. As the temporary differences on which deferred tax is calculated as at 31 December 2015 are expected to largely reverse after 1 April 2020 (2014: 1 April 2015), deferred tax at 31 December 2015 has been re-measured at 18% (2014: 20%). In 2015, movements in the deferred tax balances have been measured at the statutory corporation tax rate for the year of 20.25% (2014: 21.5%). A tax charge in 2015 of £0.2m (2014: £nil) represents the income statement adjustment to deferred tax as a result of these changes.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Tax credit (continued)

The rate of tax charge on the profit before taxation for the year is lower than (2014: lower than) the average standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). This can be reconciled as follows:

	2015	2014
	£m	£m
Profit before taxation	54.8	68.1
Profit before taxation multiplied by the average standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	(11.1)	(14.6)
Effect of:		
- impact of non taxable dividends	15.2	19.3
- impact of permanent differences	(0.1)	-
- impact of rate change	(0.2)	-
- adjustment in respect of prior years	-	0.8
Total tax credit	3.8	5.5

5 Dividends

	2015	2014
	£m	£m
2014 interim - 27.2p per share	-	70.0
2015 interim - 21.3p per share	55.0	-
Dividends paid	55.0	70.0

6 Directors' remuneration

The remuneration of the directors, who are the key management personnel of the company, is set out below:

	2015	2014
	£m	£m
Short-term employee benefits	3.4	3.1
Termination benefits	0.8	-
Post-employment benefits	0.4	0.6
Share-based payment charge	1.0	0.5
Total	5.6	4.2

The directors' emoluments disclosed above exclude the emoluments of P S Crook and A C Fisher, which are paid and disclosed by the ultimate parent company, Provident Financial plc, and recharged to Provident Financial Management Services Limited, as part of a management charge. This management charge, which in 2015 amounted to £7.4m (2014: £7.3m), 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 of P S Crook and A C Fisher's emoluments. The emoluments of these directors are disclosed in the annual report and financial statements of Provident Financial plc.

Retirement benefits accrue to two directors under a self invested personal pension arrangement (2014: none), no directors under a defined benefit scheme (2014: four) and five directors under a money purchase scheme (2014: five). Ten directors were entitled to shares under the Provident Financial plc share option/award arrangements (2014: nine). During the year four directors exercised share options/awards under share incentive schemes (2014: five).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 Directors' remuneration (continued)

Fees and other emoluments of the highest paid director are as follows:

	2015	2014
	£m	£m
Short-term employee benefits	0.6	0.6
Post-employment benefits	0.1	0.1
Share-based payment charge	0.5	-
Total	1.2	0.7

The above director did not accrue any benefits under a defined benefit pension arrangement during the year (2014: £nil). The above director did not exercise share options/awards during the year but did receive shares under share incentive schemes.

7 Employee information

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

	2015	2014
	Number	Number
Commercial	51	42
Directors and administrative support	14	12
Finance	131	103
Home credit support services	344	305
Online	89	41
Risk	19	9
Technology and change	245	206
Total	893	718
Analysed as:		
Full time	789	624
Part time	104	94
Total	893	718

(b) Employment costs – all employees (including directors)

	2015	2014
	£m	£m
Aggregate gross wages and salaries paid to the company's employees	34.6	28.2
Employer's National Insurance contributions	4.1	3.1
Pension charge (note 14)	5.0	4.7
Share-based payment charge (note 19)	1.4	0.8
Total employment costs prior to exceptional redundancy costs	45.1	36.8
Exceptional redundancy costs (note 3)	3.8	0.8
Total	48.9	37.6

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

The share-based payment charge of £1.4m (2014: £0.8m) relates to equity-settled schemes of £1.2m (2014: £0.8m) and cash-settled schemes of £0.2m (2014: £nil).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Intangible assets

	Computer software	
	2015	2014
	£m	£m
Cost		
At 1 January	55.0	52.4
Additions	13.2	6.8
Disposals	-	(4.2)
At 31 December	68.2	55.0
Accumulated amortisation		
At 1 January	42.4	42.5
Charged to the statement of comprehensive income	5.6	4.1
Disposals	-	(4.2)
At 31 December	48.0	42.4
Net book value at 31 December	20.2	12.6
Net book value at 1 January	12.6	9.9

Intangible assets represent purchased and internally developed software. The largest components of intangible assets are the systems development for both Satsuma loans and glo loans which have a net book value of £7.2m (2014: £2.7m) and £3.8m (2014: £2.5m) respectively, and a remaining amortisation period of 5 years (2014: 5 years), and the internally developed field operating system which has a net book value of £2.3m (2014: £3.4m) and a remaining amortisation period of 2 years (2014: 3 years).

9 Property, plant and equipment

	Equipment and vehicles	
	2015	2014
	£m	£m
Cost		
At 1 January	27.4	24.5
Additions	6.0	3.8
Disposals	(1.3)	(1.2)
Transfer from group undertakings	-	0.3
At 31 December	32.1	27.4
Accumulated depreciation		
At 1 January	20.3	18.2
Charged to the statement of comprehensive income	3.4	2.7
Disposals	(0.7)	(0.7)
Transfer from group undertakings	-	0.1
At 31 December	23.0	20.3
Net book value at 31 December	9.1	7.1
Net book value at 1 January	7.1	6.3

The loss on disposal of property, plant and equipment in 2015 amounted to £nil (2014: £nil) and represented proceeds received of £0.6m (2014: £0.5m) less the net book value of disposals of £0.6m (2014: £0.5m).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Investments in subsidiaries

	2015	2014
	£m	£m
Cost and net book value		
Investments in subsidiary companies	800.3	800.3

The directors consider the value of investments to be supported by their underlying assets.

The following are the subsidiary undertakings which, in the opinion of the directors, principally affect the profit or assets of the company.

Company	Activity	Country of incorporation or registration	Class of capital	% holding
Provident Personal Credit Limited	Financial Services	England	Ordinary	100

The above company operates principally in its country of incorporation or registration.

11 Cash and cash equivalents

	2015	2014
	£m	£m
Cash at bank and in hand	-	0.1

12 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:

	2015			
	Loans and receivables	Amortised cost	Non-financial assets	Total
	£m	£m	£m	£m
Assets				
Investments in subsidiaries	-	-	800.3	800.3
Trade and other receivables	103.6	-	-	103.6
Property, plant and equipment	-	-	9.1	9.1
Intangible assets	-	-	20.2	20.2
Deferred tax assets	-	-	1.9	1.9
Current tax asset	-	-	3.5	3.5
Total assets	103.6	-	835.0	938.6
Liabilities				
Bank and other borrowings	-	(0.1)	-	(0.1)
Trade and other payables	-	(660.7)	-	(660.7)
Total liabilities	-	(660.8)	-	(660.8)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Financial instruments (continued)

	2014			
	Loans and receivables	Amortised cost	Non-financial assets	Total
	£m	£m	£m	£m
Assets				
Investments in subsidiaries	-	-	800.3	800.3
Cash and cash equivalents	0.1	-	-	0.1
Trade and other receivables	102.9	-	-	102.9
Property, plant and equipment	-	-	7.1	7.1
Intangible assets	-	-	12.6	12.6
Deferred tax assets	-	-	1.7	1.7
Current tax asset	-	-	5.4	5.4
Total assets	103.0	-	827.1	930.1
Liabilities				
Bank and other borrowings	-	(0.1)	-	(0.1)
Trade and other payables	-	(657.0)	-	(657.0)
Total liabilities	-	(657.1)	-	(657.1)

13 Trade and other receivables

	2015	2014
	£m	£m
Current assets		
Other receivables	1.5	1.7
Amounts owed by ultimate parent undertaking	65.9	81.3
Amounts owed by subsidiary undertakings	32.1	15.5
Amounts owed by fellow subsidiary undertakings	0.3	1.3
Prepayments and accrued income	3.8	3.1
Total	103.6	102.9

Amounts owed by the ultimate parent, subsidiary and fellow subsidiary undertakings are unsecured, repayable on demand 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. There is no collateral held in respect of trade and other receivables (2014: £nil).

The fair value of trade and other receivables equates to their book value.

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. The scheme has been substantially closed to new members since 1 January 2003.

All future benefits in the scheme are now provided on a 'cash balance' basis, with a defined amount being made available at retirement, based on a percentage of salary that is revalued up to retirement with reference to increases in price inflation. This retirement account is then used to purchase an annuity on the open market.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Retirement benefits (continued)

The scheme also provides pension benefits that were accrued in the past on a final salary basis, but which are no longer linked to final salary.

The scheme also provides death benefits.

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 2015 these contributions amounted to £3.2m (2014: £3.3m). The expected contributions to the defined benefit pension scheme in the year ending 31 December 2016 are approximately £3.2m.

In accordance with IAS 19, 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 2015, 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 scheme, the company is exposed to a number of risks, the most significant of which are as follows:

- Investment risk – the liabilities for IAS 19 purposes are calculated using a discount rate set with reference to corporate bond yields. If the assets underperform this yield a deficit will arise. The scheme has a long-term objective to reduce the level of investment risk by investing in assets that better match the liabilities.
- Change in bond yields – a decrease in corporate bond yields will increase the liabilities, although this will be partly offset by an increase in matching assets.
- Inflation risk – part of the liabilities are linked to inflation. If inflation increases then liabilities will increase, although this will be partly offset by an increase in assets. As part of the long-term de-risking strategy, the scheme will further increase its portfolio in inflation matched assets.
- Life expectancies – the scheme's final salary benefits provide pensions for the rest of members' lives (and for their spouses' lives). If members live longer than assumed, then the liabilities in respect of final salary benefits increase.

The most recent actuarial valuation of the scheme was carried out as at 1 June 2015 by a qualified independent actuary. The valuation used for the purposes of IAS 19 'Employee benefits' has been based on the results of the 2015 valuation, updated 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.

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14 Retirement benefits (continued)

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

	2015		Group 2014	
	£m	%	£m	%
Equities	74.7	11	249.2	36
Other diversified return seeking investments	67.5	10	65.5	9
Corporate bonds	133.0	20	137.8	20
Fixed interest gilts	208.3	31	80.6	11
Index-linked gilts	181.7	28	164.9	24
Cash and money market funds	1.2	-	2.1	-
Total fair value of scheme assets	666.4	100	700.1	100
Present value of funded defined benefit obligations	(604.1)		(644.1)	
Net retirement benefit asset recognised in the balance sheet	62.3		56.0	

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

	Group	
	2015 £m	2014 £m
Fair value of scheme assets at 1 January	700.1	613.8
Interest on scheme assets	25.7	26.9
Actuarial movement on scheme assets	(52.4)	77.9
Contributions by the group	12.2	13.1
Net benefits paid out	(19.2)	(31.6)
Fair value of scheme assets at 31 December	666.4	700.1

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

	Group	
	2015 £m	2014 £m
Present value of defined benefit obligation at 1 January	(644.1)	(584.6)
Current service cost	(5.0)	(5.8)
Interest on scheme liabilities	(23.5)	(25.5)
Exceptional curtailment credit	2.6	0.6
Actuarial movement on scheme liabilities	46.7	(60.4)
Net benefits paid out	19.2	31.6
Present value of defined benefit obligation at 31 December	(604.1)	(644.1)

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

	Group	
	2015 %	2014 %
Price inflation - RPI	3.00	3.10
Price inflation - CPI	2.00	2.10
Rate of increase to pensions in payment	2.80	2.90
Inflationary increase to pensions in deferment	2.00	2.10
Discount rate	3.75	3.70

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Retirement benefits (continued)

(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 arrangement (typically ranging between 3.0% and 8.0%). The pension charge in the company's statement of comprehensive income represents contributions payable by the company in respect of the plan and amounted to £1.7m for the year ended 31 December 2015 (2014: £1.4m). No contributions were payable to the fund at the year end (2014: £nil).

The company made £0.1m of contributions into personal pension plans in the year (2014: £0.1m).

15 Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method. Deferred tax balances at 31 December 2014 were measured at 20% on the basis that the temporary differences on which the deferred tax was calculated were expected to reverse after 1 April 2015. In 2015, movements in the deferred tax balances have been measured at the statutory corporation tax rate for the year of 20.25% (2014: 21.5%). During 2015, further reductions in corporation tax rates were enacted, reducing the corporation tax rate from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effect from 1 April 2020. As the temporary differences on which deferred tax is calculated as at 31 December 2015 are expected to largely reverse after 1 April 2020 (2014: 1 April 2015), deferred tax at 31 December 2015 has been re-measured at 18% (2014: 20%). A tax charge in 2015 of £0.2m (2014: £nil) represents the statement of comprehensive income adjustment to deferred tax as a result of these changes. The movement in the deferred tax asset during the year can be analysed as follows:

Asset	2015 £m	2014 £m
At 1 January	1.7	1.8
Credit/(charge) to the statement of comprehensive income (note 4)	0.4	(0.1)
Impact of change in UK tax rate: - charge to the statement of comprehensive income	(0.2)	-
At 31 December	1.9	1.7

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

	2015			2014		
	Accelerated capital allowances	Other temporary differences	Total	Accelerated capital allowances	Other temporary differences	Total
	£m	£m	£m	£m	£m	£m
At 1 January	1.6	0.1	1.7	1.5	0.3	1.8
Credit/(charge) to the statement of comprehensive income	0.5	(0.1)	0.4	0.1	(0.2)	(0.1)
Impact of change in UK tax rate: - charge to the statement of comprehensive income	(0.2)	-	(0.2)	-	-	-
At 31 December	1.9	-	1.9	1.6	0.1	1.7

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Deferred tax (continued)

Deferred tax is a future tax liability or asset resulting from temporary differences or timing differences between the accounting value of assets and liabilities and their value for tax purposes. Deferred tax arises primarily in respect of property, plant and equipment which is depreciated on a different basis for tax purposes, deductions for employee share awards which are recognised on a different basis for tax purposes and certain cost provisions for which tax deductions are only available when the costs are paid. Deferred tax assets are recognised because it is considered probable that future taxable profits will be available against which the temporary differences can be utilised.

16 Bank and other borrowings

Borrowing facilities principally comprise overdrafts which are repayable on demand.

As at 31 December 2015, borrowings amounted to £0.1m (2014: £0.1m).

17 Trade and other payables

	2015	2014
	£m	£m
Current liabilities		
Trade payables	0.9	0.3
Amounts owed to subsidiary undertaking	200.0	200.0
Amounts owed to fellow subsidiary undertakings	8.5	8.5
Other payables including taxation and social security	1.0	0.9
Accruals	12.1	9.1
Total	222.5	218.8

The fair value of trade and other payables equates to their book value (2014: fair value equated to book value). The amounts owed to subsidiary and fellow subsidiary undertakings are unsecured, due for repayment in less than one year and accrue interest at rates linked to LIBOR.

	2015	2014
	£m	£m
Non-current liabilities		
Amounts owed to ultimate parent undertaking	438.2	438.2

The amounts owed to the ultimate parent undertaking are secured, due for repayment in more than one year and accrue interest at rates linked to LIBOR.

18 Share capital

		2015		2014	
		Authorised	Issued and fully paid	Authorised	Issued and fully paid
Ordinary shares of 100p each	- £m	272.0	257.8	272.0	257.8
	- number (m)	272.0	257.8	272.0	257.8

There are no shares issued and not fully paid at the end of the year (2014: no shares).

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19 Share-based payments

Provident Financial plc operates three equity-settled share schemes: the Long Term Incentive Scheme (LTIS), employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)), and the Performance Share Plan (PSP) where shares in the parent company are available to the employees of the company. In 2015 Provident Financial plc introduced a cash settled scheme, the Provident Financial Equity Plan (PFEP) for eligible employees based on a percentage of salary. The group also previously operated senior executive share option schemes (ESOS/SESO), although no options have been granted under these scheme since 2006.

During 2015, awards/options have been granted under the PSP, LTIS, SAYE and PFEP schemes (2014: awards/options granted under the PSP, LTIS and SAYE schemes).

(a) Equity-settled schemes

The charge to the statement of comprehensive income during the year was £1.2m (2014: £0.8m) for equity-settled schemes. The assumptions to consider the appropriate fair values of options are outlined below:

	2015			2014		
	PSP	LTIS	SAYE	PSP	LTIS	SAYE
Grant date	25-Feb-15	25-Feb-15	18-Sep-15	08-Apr-14	08-Apr-14	05-Sep-14
Share price at grant date (£)	27.26	27.26	30.90	18.99	18.99	21.31
Exercise price (£)	-	-	21.58	-	-	16.44
Shares awarded/under option	29,449	82,718	74,407	14,479	94,388	75,715
Vesting period (years)	3	3	3 and 5	3	3	3 and 5
Expected volatility	20.0%	20.0%	20.8% to 22.7%	21.8%	21.8%	21.2% to 22.2%
Award/option life (years)	3	3	Up to 5	3	3	Up to 5
Expected life (years)	3	3	Up to 5	3	3	Up to 5
Risk-free rate	1.19%	1.19%	1.21% to 1.53%	1.41%	1.41%	1.23% to 1.75%
Expected dividends expressed as a dividend yield	n/a	n/a	3.00%	n/a	n/a	4.40%
Fair value per award/option (£)	27.26	27.26	6.57 to 7.41	18.99	18.99	4.16 to 4.27

The expected volatility is based on historical volatility over the last three or five 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 of a similar duration to the life of the share option.

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

	PSP		LTIS		SAYE		ESOS/ SESO	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
2015		£		£		£		£
Outstanding at 1 January	27,591	-	290,075	-	212,856	12.45	10,820	5.77
Granted	29,449	-	82,718	-	74,407	21.58	-	-
Lapsed	-	-	(94,581)	-	(12,231)	14.26	-	-
Exercised	(3,766)	-	-	-	(75,396)	8.77	-	-
Transferred	-	-	-	-	43,578	-	-	-
Outstanding at 31 December	53,274	-	278,212	-	243,214	15.90	10,820	5.77
Exercisable at 31 December	-	-	-	-	5,008	10.19	10,820	5.77

PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Share-based payments (continued)

	PSP		LTIS		SAYE		ESOS/ SESO	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £
2014								
Outstanding at 1 January	26,188	-	402,319	-	257,323	9.35	10,820	5.77
Granted	14,479	-	94,388	-	75,715	16.44	-	-
Lapsed	(655)	-	(21,362)	-	(19,792)	10.51	-	-
Exercised	(12,421)	-	(185,270)	-	(69,808)	7.96	-	-
Transferred	-	-	-	-	(30,582)	-	-	-
Outstanding at 31 December	27,591	-	290,075	-	212,856	12.45	10,820	5.77
Exercisable at 31 December	-	-	-	-	235	8.36	10,820	5.77

No options/awards were granted to the company in respect of the ESOS/SESO schemes (2014: none).

Share awards outstanding under the LTIS scheme at 31 December 2015 had an exercise price of £nil (2014: £nil) and a weighted average remaining contractual life of 1.1 years (2014: 1.2 years). Share options outstanding under the SAYE schemes at 31 December 2015 had exercise prices ranging from 656p to 2,158p (2014: 656p to 1,644p) and a weighted average remaining contractual life of 2.1 years (2014: 2.1 years). Share awards outstanding under the PSP schemes at 31 December 2015 had an exercise price of £nil (2014: £nil) and a weighted average remaining contractual life of 1.6 years (2014: 1.5 years). Share options outstanding under the ESOS/SESO schemes at 31 December 2015 had an exercise price of 577p (2014: 577p) and a weighted average remaining contractual life of nil years (2014: nil years).

The transfer of options in 2015 and 2014 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.

(b) Cash-settled schemes

During 2015 cash awards were granted under the PFEP to eligible employees that require the company to pay amounts linked to a combination of salary, financial performance and share price performance of Provident Financial plc. The charge to the statement of comprehensive income in 2015 was £0.2m (2014: £nil) and the company has a liability of £0.2m as at 31 December 2015 (2014: £nil).

20 Commitments

Commitments under operating leases are as follows:

	2015	2014
	£m	£m
Due within one year	4.8	5.0
Due between one and five years	4.8	6.2
Due in more than five years	0.7	1.4
Total	10.3	12.6

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

PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Related party transactions

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

	2015			2014		
	Management recharge	Interest charge	Outstanding balance	Management recharge	Interest charge	Outstanding balance
	£m	£m	£m	£m	£m	£m
Ultimate parent undertaking	9.6	11.4	(372.3)	7.3	11.2	(356.9)
Subsidiary undertakings	(119.1)	14.9	(167.9)	(93.8)	14.9	(184.5)
Other group undertakings	(0.1)	-	(8.2)	(0.1)	-	(7.2)
Total	(109.6)	26.3	(548.4)	(86.6)	26.1	(548.6)

The outstanding balance represents the gross intercompany balance payable to the company.

During the year the company paid dividends to the parent company Provident Financial plc of £55.0m (2014: £70.0m).

During 2015, the company received dividends from subsidiary undertakings of £75.0m from Provident Personal Credit Limited (2014: £85.0m) and £nil from Greenwood Personal Credit Limited (2014: £5.0m).

22 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 £1,098.2m (2014: £1,039.5m). At 31 December 2015, the borrowings amounted to £865.2m (2014: £906.5m). No loss is expected to arise.

23 Reconciliation of profit after taxation to cash generated from operations

	Note	2015 £m	2014 £m
Profit after taxation		58.6	73.6
Adjusted for:			
- tax credit	4	(3.8)	(5.5)
- finance costs	2	26.3	26.1
- dividends received	21	(75.0)	(90.0)
- share-based payment charge	19	1.4	0.8
- amortisation of intangible assets	8	5.6	4.1
- depreciation of property, plant and equipment	9	3.4	2.7
Changes in operating assets and liabilities:			
- trade and other receivables		4.6	2.4
- trade and other payables		3.7	2.9
Cash generated from operations		24.8	17.1

24 Parent undertaking and controlling party

The immediate and 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.