

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

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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'). The immediate parent to the company is Provident Financial Management Services Limited. Provident Financial plc is a public limited company, listed on the London Stock Exchange.

Principal activities

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

On 1 April 2014, the company acquired the trade and most of the assets and liabilities of Greenwood Personal Credit Limited ('GPC'), a fellow subsidiary of the immediate parent undertaking. Both companies form part of the Consumer Credit Division ('CCD') and provide unsecured home credit loans to customers in the UK; the transfer provided the clarity of a single brand for home credit services and improved customer service through a single agent relationship.

At the effective date, the respective assets and liabilities were transferred for an amount equal to their net book value. Net assets of £80.3m were transferred for a consideration of £80.3m comprising amounts receivable from customers (£78.4m), cash and cash equivalents (£2.3m), trade and other receivables (£1.2m), and trade and other payables (£1.6m).

In 2013, GPC generated revenue of £99.8m and a profit before tax and exceptional items of £7.9m. In the three months prior to the transfer, GPC generated revenue of £22.0m and a loss before tax and exceptional items of £2.3m due to the seasonal nature of the business and higher impairment in the first part of the year.

Results

The income statement for the year is set out on page 7. The profit for the year of £72.1m (2013: £53.0m) has been added to reserves.

Dividends

During the year ended 31 December 2014, the directors paid an interim dividend on the ordinary shares of the company of £85.0m (2013: £85.0m), which has been deducted from reserves. The directors do not recommend a final dividend (2013: £nil).

The directors have declared and paid the 5.165% dividend on the preference shares issued in 2002 of £9,130 (2013: £9,130) and the 5.84% dividend on the preference shares issued in 2004 of £7,313 (2013: £7,313).

Directors

The directors of the company during the year ended 31 December 2014, all of whom were directors for the whole year then ended and to the date of this report, except where stated, were:

M Stevens	Chairman
T R Anson	
S M Dickins	
J R Gillespie	
P A McLelland	
A J Parkinson	
S D Shaw	
H K Patel	(Appointed 1 December 2014)
S A F Lawrence	(Appointed 1 February 2015)

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.

PROVIDENT PERSONAL CREDIT LIMITED

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DIRECTORS' REPORT (CONTINUED)

Principal risks and uncertainties and financial risk management (continued)

During 2014, CCD implemented an Enterprise Risk Management Framework ('ERMF') which specifies the processes, governance, culture and capability required to embed effective risk management and ensure a joined-up strategic approach that not only realises business value but also delivers customer protection and regulatory assurance. In particular, the ERMF defines the three lines of defence model and the related responsibilities for each line.

The financial and capital risk management policies of the company are set out on pages 17 to 19.

Employee involvement

The company is committed to employee involvement. 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. The company encourages the involvement of employees by means of newsletters, weekly performance updates, regular management team briefings, staff meetings and conferences. Both a Save As You Earn and Buy As You Earn scheme are operated by the group to reinforce staff involvement in the group and to encourage an interest in its progress. Both schemes are open to all permanent employees of the company with more than six months' service. The group also has a number of community programmes in place and provides a wellbeing programme to promote physical and mental health.

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.

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

Deloitte LLP, the auditor for the company, was appointed in 2012 and a resolution proposing their reappointment will be proposed at the forthcoming annual general meeting of the group.

BY ORDER OF THE BOARD

E G Versluys
Company Secretary
Bradford
11 March 2015

PROVIDENT PERSONAL CREDIT LIMITED
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STRATEGIC REPORT

The company's profit before taxation and exceptional items in 2014 was £94.1m (2013: £77.6m). An exceptional restructuring cost of £3.2m has been incurred in 2014 in respect of associated redundancy costs (2013: £8.7m).

The performance in the year reflects strong execution against a challenging programme of work to transition its home credit business to a smaller but better quality, more modern business focused on returns, whilst investing in its Satsuma online loans proposition. The success in delivering the strategy has resulted in a significant increase in the company's return on assets (profit before interest and exceptional items after tax as a percentage of average receivables) from 13.3% in 2013 to 16.6% in 2014.

Whilst the disposable incomes of home credit customers have increased modestly over the last year, customer confidence remains relatively low. Accordingly, the demand for credit from better quality, existing customers has remained relatively subdued for the majority of the year. In addition, the tighter credit standards implemented during the final quarter of 2013 have continued to restrict the recruitment of more marginal customers into the business. Consequently, customer numbers reduced by 18.6% during 2014 but the quality of the receivables book improved materially. This resulted in sales levels running 8% lower than the previous year during the first ten months of the year. As expected, the anniversary of tighter credit standards saw the year-on-year sales shortfall moderate to around 6% during the last two months of the year, with the business also benefitting from the rebranding of the home credit business to 'Provident' in November and the associated TV advertising campaign.

Amounts receivable from customers at the end of December of £588.1m were lower than the prior year although less marked than the reduction in customer numbers due to the reduction of marginal customers and the focus on better quality established customers.

Revenue decreased by 4.8% to £566.9m (2013: £595.2m) consistent with the year-on-year reduction in average receivables of 8.1%. The revenue yield remained robust at 98.1%, up from 94.6% in 2013, due to a modest shift in mix towards shorter term, lower risk, higher yielding lending.

Finance costs in 2014 of £43.1m were 7.5% lower than last year reflecting the reduction in average receivables which has been partly offset by an increase in the funding rate for the company from 6.8% to 7.1%.

Impairment of amounts receivable from customers decreased by 27.0% to £161.8m (2013: £221.6m) following the implementation in 2014 of standardised arrears and collections processes coupled with tighter credit standards. Consequently, the ratio of impairment to revenue reduced from 37.2% for 2013 to 28.5% for 2014.

The increase in revenue yield and reduction in impairment produced a significant strengthening in the risk-adjusted margin from 59.4% in 2013 to 70.1% in 2014. Risk-adjusted margin is calculated as revenue less impairment as a percentage of average receivables.

Administrative costs before exceptional items increased by 10.9% to £172.0m (2013: £155.1m) due to higher recharges from the immediate parent undertaking, Provident Financial Management Services Limited, following investment in enhancing IT, business and people development processes to support the repositioned home credit business, embedding the governance and regulatory framework required to transition the company to the Financial Conduct Authority regime and funding the start-up of Satsuma.

The programme to deploy technology throughout the field operation to support an improvement in productivity and reinforce compliance continues to run well ahead of schedule. This allowed a reduction in the field administration workforce of 210 in 2014. An exceptional restructuring cost of £3.2m has been incurred in 2014 in respect of associated redundancy costs (2013: £8.7m).

On 1 April 2014, the company acquired the trade and most of the assets and liabilities of Greenwood Personal Credit Limited, a fellow subsidiary of the immediate parent undertaking, for a consideration of £80.3m, of which £78.4m related to amounts receivable from home credit customers.

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STRATEGIC REPORT (CONTINUED)

The focus for Satsuma in 2014 has been on building business capability and developing a sustainable business to capitalise on the market opportunity offered by online instalment loan products. At 31 December 2014, Satsuma had 21,000 customers (2013: 9,000) and a receivables book of £5.0m (2013: £1.8m).

Going concern

Having considered the cash flow and liquidity requirements of the company and the company's forecasts, the directors expect that 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. Further details on the basis of preparation is provided on page 11.

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.

BY ORDER OF THE BOARD

E G Versluys
Company Secretary
Bradford
11 March 2015

PROVIDENT PERSONAL CREDIT LIMITED
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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
11 March 2015

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

We have audited the financial statements of Provident Personal Credit Limited for the year ended 31 December 2014 which comprise the income statement, 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 27 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 2014 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 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.

Peter Birch FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
11 March 2015

PROVIDENT PERSONAL CREDIT LIMITED
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INCOME STATEMENT

For the year ended 31 December	Note	2014 £m	2013 £m
Revenue	1	566.9	595.2
Finance income	2	14.9	15.2
Total income		581.8	610.4
Finance costs	3	(43.1)	(46.6)
Operating costs		(272.6)	(331.1)
Administrative costs		(175.2)	(164.7)
Total costs		(490.9)	(542.4)
Profit before taxation	4	90.9	68.0
Profit before taxation and exceptional costs	4	94.1	77.6
Exceptional costs	4	(3.2)	(9.6)
Tax charge	5	(18.8)	(15.0)
Profit for the year attributable to the equity shareholder		72.1	53.0

All of the above operations relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2014 £m	2013 £m
Profit for the year attributable to the equity shareholder		72.1	53.0
Other comprehensive income:			
- cash flow hedges	12	-	0.3
- exchange differences on translation of foreign operations		0.5	(0.3)
Other comprehensive income for the year		0.5	-
Total comprehensive income for the year		72.6	53.0

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BALANCE SHEET

As at 31 December	Note	2014 £m	2013 £m
ASSETS			
Non-current assets			
Property, plant and equipment	9	3.4	3.6
Financial assets:			
- amounts receivable from customers	10	55.3	70.7
Deferred tax assets	15	0.5	0.9
		59.2	75.2
Current assets			
Financial assets:			
- amounts receivable from customers	10	532.8	575.0
- derivative financial instruments	12	0.2	0.1
- trade and other receivables	13	202.5	209.8
- cash and cash equivalents	16	7.1	10.1
		742.6	795.0
Total assets		801.8	870.2
LIABILITIES			
Current liabilities			
Financial liabilities:			
- bank and other borrowings	17	(0.7)	(4.5)
- trade and other payables	18	(645.2)	(705.8)
Current tax liabilities		(13.0)	(5.0)
		(658.9)	(715.3)
Non-current liabilities			
Financial liabilities:			
- preference shares	19	(0.3)	(0.3)
		(0.3)	(0.3)
Total liabilities		(659.2)	(715.6)
NET ASSETS		142.6	154.6
SHAREHOLDER'S EQUITY			
Share capital	20	71.5	71.5
Share premium		1.0	1.0
Other reserves	22	2.0	2.0
Retained earnings		68.1	80.1
TOTAL SHAREHOLDER'S EQUITY		142.6	154.6

The financial statements on pages 7 to 34 were approved by the board of directors on 11 March 2015 and signed on its behalf by:

M Stevens
Director

P A McLelland
Director

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STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2013		71.5	1.0	2.4	111.4	186.3
Profit for the year		-	-	-	53.0	53.0
Other comprehensive income:						
- cash flow hedges	12	-	-	0.3	-	0.3
- exchange differences on translation of foreign operations		-	-	-	(0.3)	(0.3)
Other comprehensive income for the year		-	-	0.3	(0.3)	-
Total comprehensive income for the year		-	-	0.3	52.7	53.0
Transactions with owners:						
- share-based payment charge	21	-	-	0.3	-	0.3
- transfer of share-based payment reserve		-	-	(1.0)	1.0	-
- dividends	6	-	-	-	(85.0)	(85.0)
At 31 December 2013		71.5	1.0	2.0	80.1	154.6
At 1 January 2014		71.5	1.0	2.0	80.1	154.6
Profit for the year		-	-	-	72.1	72.1
Other comprehensive income:						
- exchange differences on translation of foreign operations		-	-	-	0.5	0.5
Other comprehensive income for the year		-	-	-	0.5	0.5
Total comprehensive income for the year		-	-	-	72.6	72.6
Transactions with owners:						
- share-based payment charge	21	-	-	0.4	-	0.4
- transfer of share-based payment reserve		-	-	(0.4)	0.4	-
- dividends	6	-	-	-	(85.0)	(85.0)
At 31 December 2014		71.5	1.0	2.0	68.1	142.6

Other reserves are further analysed in note 22.

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STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2014 £m	2013 £m
Cash flows from operating activities			
Cash generated from operations	26	200.8	126.3
Finance costs paid		(43.1)	(46.6)
Finance income received		14.9	15.2
Tax paid		(8.1)	(17.4)
Net cash generated from operating activities		164.5	77.5
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(1.2)	(1.6)
Proceeds from disposal of property, plant and equipment	9	0.5	0.6
Acquisition of Greenwood Personal Credit Limited		(80.3)	-
Net cash used in investing activities		(81.0)	(1.0)
Cash flows from financing activities			
Dividends paid to company shareholder	6	(85.0)	(85.0)
Net cash used in financing activities		(85.0)	(85.0)
Net decrease in cash, cash equivalents and overdrafts		(1.5)	(8.5)
Cash, cash equivalents and overdrafts at beginning of year		5.6	14.1
Cash and cash equivalents acquired with Greenwood Personal Credit Limited		2.3	-
Cash, cash equivalents and overdrafts at end of year		6.4	5.6
Cash, cash equivalents and overdrafts at end of year comprise:			
Cash at bank and in hand	16	7.1	10.1
Overdrafts (held in bank and other borrowings)	17	(0.7)	(4.5)
Total cash, cash equivalents and overdrafts		6.4	5.6

PROVIDENT PERSONAL CREDIT LIMITED
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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. The company also provides unsecured online instalment loans to customers in the UK.

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 IFRS, IFRIC and UK company law.

On 1 April 2014, the company acquired the trade and most of the assets and liabilities of Greenwood Personal Credit Limited, a fellow subsidiary of the immediate parent undertaking, for a consideration of £80.3m, of which £78.4m related to amounts receivable from customers. All assets and liabilities were transferred at an amount equal to their net book value.

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.

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

'Offsetting financial assets and financial liabilities (amendments to IAS 32)' clarifies the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial instruments: Presentation'. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to a net settlement. The amendment has not had a material impact on the company.

'Recoverable amount disclosures (amendments to IAS 36 (May 2013))' are narrow-scope amendments to IAS 36 'Impairment of assets'. The amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment has not had a material impact on the company.

'Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)' are narrow-scope amendments which allow hedge accounting to continue in a situation where a derivative financial instrument, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amendment has not had a material impact on the company.

PROVIDENT PERSONAL CREDIT LIMITED
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STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Principal accounting policies (continued)

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 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 1 January 2018, subject to endorsement by the EU.

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 statement of comprehensive income.

If a foreign operation were to be disposed of, the cumulative amount of the exchange differences arising on translation recognised in other comprehensive income would be recognised in the income statement when the gain or loss on disposal is recognised.

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
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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 the equivalent of one missed weekly payment over the previous 12-week period are not deemed to be impaired.

The 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. The leases entered into by the company are solely operating leases. Costs in respect of operating leases are charged to the income statement on a straight line basis over the lease term.

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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.

Derivative financial instruments

The company uses derivative financial instruments, principally forward contracts, to manage the foreign exchange rate risk arising from the company's underlying business operations. No transactions of a speculative nature are undertaken.

All derivative financial instruments are assessed against the hedge accounting criteria set out in IAS 39, 'Financial instruments: Recognition and measurement'. The company has designated all its derivative financial instruments as hedges of highly probable forecast transactions (cash flow hedges), in line with IAS 39.

The relationship between hedging instruments and hedged items is documented at the inception of a transaction, as well as the risk management objectives and strategy for undertaking various hedging transactions. The assessment of whether the derivative financial instruments used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items is documented, both at the hedge inception and on an ongoing basis.

Derivative financial instruments are initially recognised at their fair value on the date a derivative contract is entered into and are subsequently re-measured at each reporting date to their fair value. Where derivative financial instruments do not qualify for hedge accounting, movements in the fair value are recognised immediately within the income statement.

Where hedge accounting criteria is met for the derivative financial instruments designated and qualifying as cash flow hedges, the effective portion of changes in the fair value of derivative financial instruments are recognised in the hedging reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement as part of finance costs. Amounts deferred in equity are recognised in the income statement when the income or expense on the hedged item is recognised in the income statement.

Hedge accounting is discontinued when:

- it is evident from testing that a derivative financial instrument is not, or has ceased to be, highly effective as a hedge; or
- the derivative financial instrument expires, or is sold, terminated or exercised; or
- the underlying hedged item matures or is sold or repaid.

When a cash flow hedging instrument expires or is sold, or when a cash flow hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss deferred in equity at that time is immediately transferred to the income statement.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 12. Movements on the hedging reserve in shareholder's equity are shown in note 22. The full fair value of a derivative financial instrument is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months from the balance sheet date and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months from the balance sheet date.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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:

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.

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). For LTIS schemes, performance conditions are based on profit before taxation. Accordingly, the fair value of awards under these schemes is determined using a binomial option pricing model which is a suitable model for valuing options with internal related targets such as EPS and profit before taxation. 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.

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.

Exceptional items

Exceptional items are items 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.

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.

PROVIDENT PERSONAL CREDIT LIMITED
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STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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.

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 £5.9m (2013: £6.5m) higher/lower.

PROVIDENT PERSONAL CREDIT LIMITED
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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 2014 is the carrying value of amounts receivable from customers of £588.1m (2013: £645.7m).

During the period CCD managed credit risk through the CCD credit risk management committee, meeting monthly and with responsibility for the effective management and control of credit risk.

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

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 other payment arrangements in order to support customers with their repayments.

Agents are paid commission almost entirely 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 the approach going forwards.

PROVIDENT PERSONAL CREDIT LIMITED
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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 2014 was £0.3m (2013: £0.6m).

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 Prudential Regulation Authority (PRA).

(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 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 2014, the group's committed borrowing facilities had a weighted average maturity of 3.1 years (2013: 3.2 years) and the headroom on these committed facilities amounted to £111.5m (2013: £235.2m).

The group is less exposed than other mainstream lenders to liquidity risk as the loans issued by CCD 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 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 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 2014 and 2013 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
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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 were fully hedged into sterling through the use of cross-currency swaps and were repaid during 2014; and (ii) the company's operations in the Republic of Ireland and the Vanquis Bank operations in Poland, which are hedged by matching euro/zloty-denominated net assets with euro/zloty-denominated borrowings as closely as practicable.

As at 31 December 2014, a 2% movement in the sterling to euro exchange rate would have led to a £1.1m (2013: £1.1m) movement in customer receivables with an opposite movement of £1.1m (2013: £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 (2013: £nil).

Further detail of the foreign exchange rate risk management are detailed within the annual report of Provident Financial plc.

(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
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NOTES TO THE FINANCIAL STATEMENTS

1	Revenue	2014		2013
		£m		£m
	Interest income	566.9		595.2

2	Finance income	2014		2013
		£m		£m
	Interest receivable from parent undertaking	14.9		15.2

3	Finance costs	2014		2013
		£m		£m
	Interest payable to ultimate parent undertaking	43.1		46.6

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 (2013: 0.05p) and 0.06p (2013: 0.06p) per share respectively. The total annual preference dividend cost was £16,443 (2013: £16,443).

4	Profit before taxation	2014		2013
		£m		£m
	Profit before taxation is stated after charging:			
	Depreciation of property, plant and equipment (note 9)	0.9		1.4
	Operating lease rentals:			
	- property	0.3		0.3
	Employment costs (prior to exceptional redundancy costs (note 8(b)))	65.0		73.0
	Exceptional redundancy costs (note 8(b))	3.2		8.7
	Impairment of amounts receivable from customers (note 10)	161.8		221.6

An exceptional cost in 2014 of £3.2m represents redundancy costs associated with 210 field administration employees following a business restructuring within the company and the ongoing deployment of technology. The exceptional cost in 2013 of £9.6m related to the cost of a business restructuring within the company, including redundancy costs of £8.7m associated with a headcount reduction of 410 employees.

Auditor's remuneration payable to Deloitte LLP in respect of the audit of the company's financial statements totalled £36,000 (2013: £29,000). There were no non-audit fees paid in the year (2013: £nil).

PROVIDENT PERSONAL CREDIT LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Tax charge

	2014	2013
	£m	£m
Tax charge in the income statement		
Current tax		
- UK	(17.6)	(14.3)
- Overseas	(0.7)	(0.5)
Deferred tax (note 15)	(0.5)	(0.1)
Impact of change in UK tax rate	-	(0.1)
Total tax charge	(18.8)	(15.0)

The standard rate of UK corporation tax reduced from 23% to 21% with effect from 1 April 2014 and will further reduce to 20% from 1 April 2015.

As the changes to the UK statutory corporation tax rate were enacted in the 2013 Finance Act, deferred tax balances at 31 December 2013 were re-measured at 20% on the basis that the temporary differences on which the deferred tax balances were calculated were expected to reverse after 1 April 2015. In 2014, movements in the deferred tax balances have been measured at the effective statutory corporation tax rate for the year of 21.50% (2013: 23.25%). The deferred tax balances at 31 December 2014 have then been re-measured at 20% as the temporary differences on which deferred tax has been calculated are expected to reverse after 1 April 2015. A tax credit of £28,000 in 2014 (2013: charge of £108,000) represents the income statement adjustment as a result of this change.

The rate of tax charge on the profit before taxation for the year is lower than (2013: lower than) the average standard rate of corporation tax in the UK of 21.50% (2013: 23.25%). This can be reconciled as follows:

	2014	2013
	£m	£m
Profit before taxation	90.9	68.0
Profit before taxation multiplied by the average standard rate of corporation tax in the UK of 21.50% (2013: 23.25%)	(19.6)	(15.8)
Effects of:		
- impact of change in UK tax rate	-	(0.1)
- benefit of lower rates overseas	0.6	0.7
- adjustment in respect of prior years	0.2	0.2
Total tax charge	(18.8)	(15.0)

6 Dividends

	2014	2013
	£m	£m
2013 interim - 29.7p per share	-	85.0
2014 interim - 29.7p per share	85.0	-
Dividends paid	85.0	85.0

PROVIDENT PERSONAL CREDIT LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Directors' remuneration

The emoluments of the directors 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 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.

During the year, three directors exercised share options/awards under share incentive schemes (2013: seven).

8 Employee information

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

	2014 Number	2013 Number
Administrative	454	657
Operations	1,181	1,352
Total	1,635	2,009

Analysed as:

Full time	1,386	1,634
Part time	249	375
Total	1,635	2,009

(b) Employment costs

	2014 £m	2013 £m
Aggregate gross wages and salaries paid to the company's employees	48.4	55.6
Employer's National Insurance contributions	5.7	5.9
Pension charge (note 14)	10.5	11.2
Share-based payment charge (note 21)	0.4	0.3
Total employment costs prior to exceptional redundancy costs	65.0	73.0
Exceptional redundancy costs (note 4)	3.2	8.7
Total	68.2	81.7

All the above employee information excludes directors whose remuneration is paid by 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
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Property, plant and equipment

	Equipment and vehicles	
	2014	2013
	£m	£m
Cost		
At 1 January	7.5	7.0
Additions	1.2	1.6
Disposals	(1.3)	(1.4)
Transfer from group undertakings	-	0.3
At 31 December	7.4	7.5
Accumulated depreciation		
At 1 January	3.9	3.3
Charged to the income statement	0.9	1.4
Disposals	(0.8)	(0.8)
At 31 December	4.0	3.9
Net book value at 31 December	3.4	3.6
Net book value at 1 January	3.6	3.7

The profit on disposal of property, plant and equipment in 2014 amounted to £nil (2013: £nil) and represented proceeds received of £0.5m (2013: £0.6m) less the net book value of disposals of £0.5m (2013: £0.6m).

10 Amounts receivable from customers

	2014			2013		
	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	532.8	55.3	588.1	575.0	70.7	645.7

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 2014 was 112% (2013: 109%).

The average period to maturity of the amounts receivable from customers is 5.7 months (2013: 6.0 months).

The fair value of amounts receivable from customers is approximately £0.9 billion (2013: £0.9 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
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Amounts receivable from customers (continued)

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

	2014	2013
	£m	£m
Credit quality of amounts receivable from customers		
Neither past due nor impaired	258.4	230.9
Past due but not impaired	64.6	83.7
Impaired	265.1	331.1
Total	588.1	645.7

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.

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:

	2014	2013
	£m	£m
Ageing analysis of past due but not impaired balances		
One week overdue	44.8	53.8
Two weeks overdue	11.6	16.0
Three weeks or more overdue	8.2	13.9
Past due but not impaired	64.6	83.7

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

An impairment charge of £161.8m (2013: £221.6m) 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:

	2014	2013
	£m	£m
Currency profile of amounts receivable from customers		
Sterling	534.2	589.5
Euro	53.9	56.2
Total	588.1	645.7

Under IFRS 7, 'Financial Instruments', receivables are classed as Level 2 as they are not traded on an active market and the fair value is therefore determined through future cash flows.

PROVIDENT PERSONAL CREDIT LIMITED
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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:

	2014				
	Loans and receivables	Amortised cost	Hedging derivatives	Non- financial assets/ liabilities	Total
	£m	£m	£m	£m	£m
Assets					
Cash and cash equivalents	7.1	-	-	-	7.1
Amounts receivable from customers	588.1	-	-	-	588.1
Derivative financial instruments	-	-	0.2	-	0.2
Trade and other receivables	202.5	-	-	-	202.5
Property, plant and equipment	-	-	-	3.4	3.4
Deferred tax assets	-	-	-	0.5	0.5
Total assets	797.7	-	0.2	3.9	801.8
Liabilities					
Bank and other borrowings	-	(0.7)	-	-	(0.7)
Trade and other payables	-	(645.2)	-	-	(645.2)
Current tax liabilities	-	-	-	(13.0)	(13.0)
Preference shares	-	-	-	(0.3)	(0.3)
Total liabilities	-	(645.9)	-	(13.3)	(659.2)
	2013				
	Loans and receivables	Amortised cost	Hedging derivatives	Non- financial assets/ liabilities	Total
	£m	£m	£m	£m	£m
Assets					
Cash and cash equivalents	10.1	-	-	-	10.1
Amounts receivable from customers	645.7	-	-	-	645.7
Derivative financial instruments	-	-	0.1	-	0.1
Trade and other receivables	209.8	-	-	-	209.8
Property, plant and equipment	-	-	-	3.6	3.6
Deferred tax assets	-	-	-	0.9	0.9
Total assets	865.6	-	0.1	4.5	870.2
Liabilities					
Bank and other borrowings	-	(4.5)	-	-	(4.5)
Trade and other payables	-	(705.8)	-	-	(705.8)
Current tax liabilities	-	-	-	(5.0)	(5.0)
Preference shares	-	-	-	(0.3)	(0.3)
Total liabilities	-	(710.3)	-	(5.3)	(715.6)

PROVIDENT PERSONAL CREDIT LIMITED
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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. An asset of £0.2m is held in the company balance sheet as at 31 December 2014 in respect of foreign exchange contracts (2013: £0.1m).

The company's foreign exchange contracts comprise forward foreign exchange contracts to buy sterling for a total notional amount of £6.5m (2013: £7.1m). These contracts have a range of maturity dates from 20 January 2015 to 20 October 2015 (2013: 18 February 2014 to 16 December 2014). 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 £nil has been credited to the hedging reserve within equity (2013: credit of £0.3m).

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 financial instruments.

13 Trade and other receivables

	2014	2013
	£m	£m
Current assets		
Other receivables	2.2	2.3
Amounts owed by ultimate parent undertaking	-	0.8
Amounts owed by parent undertaking	200.0	200.9
Amounts owed by fellow subsidiary undertakings	-	5.5
Prepayments and accrued income	0.3	0.3
Total	202.5	209.8

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. There is no collateral held in respect of trade and other receivables (2013: £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. This 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.

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.

PROVIDENT PERSONAL CREDIT LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Retirement benefits (continued)

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 2014 these contributions amounted to £9.1m (2013: £9.8m). The expected contributions to the defined benefit pension scheme in the year ending 31 December 2015 are approximately £8.8m.

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 2014, 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 the 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 asset.
- 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 2012 by a qualified independent actuary. The valuation used for the purposes of IAS 19 'Employee benefits' has been based on the results of the 2012 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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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:

	2014		Group 2013	
	£m	%	£m	%
Equities	249.2	36	237.4	39
Other diversified return seeking investments	65.5	9	-	-
Corporate bonds	137.8	20	156.7	25
Fixed interest gilts	80.6	11	-	-
Index-linked gilts	164.9	24	145.2	24
Cash and money market funds	2.1	-	74.5	12
Total fair value of scheme assets	700.1	100	613.8	100
Present value of funded defined benefit obligations	(644.1)		(584.6)	
Net retirement benefit asset recognised in the balance sheet	56.0		29.2	

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

	Group	
	2014 £m	2013 £m
Fair value of scheme assets at 1 January	613.8	570.7
Interest on scheme assets	26.9	25.6
Actuarial movement on scheme assets	77.9	20.1
Contributions by the group	13.1	14.5
Net benefits paid out	(31.6)	(17.1)
Fair value of scheme assets at 31 December	700.1	613.8

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

	Group	
	2014 £m	2013 £m
Present value of the defined benefit obligation at 1 January	(584.6)	(547.7)
Current service cost	(5.8)	(7.1)
Interest on scheme liabilities	(25.5)	(24.5)
Exceptional curtailment credit	0.6	1.6
Actuarial movement on scheme liabilities	(60.4)	(24.0)
Net benefits paid out	31.6	17.1
Present value of defined benefit obligation at 31 December	(644.1)	(584.6)

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

	Group	
	2014 %	2013 %
Price inflation - RPI	3.1	3.4
Price inflation - CPI	2.1	2.4
Rate of increase to pensions in payment	2.9	3.1
Inflationary increase to pensions in deferment	2.1	2.4
Discount rate	3.7	4.4

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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 income statement of £10.5m (2013: £11.2m) represents contributions payable by the company in respect of the plan and amounted to £1.4m for the year ended 31 December 2014 (2013: £1.3m). No contributions were payable to the fund at the year end (2013: £nil).

The company made no contributions to personal pension plans in the year (2013: £nil).

In October 2013 the group auto-enrolled all eligible staff into a new scheme designed for auto-enrolment.

15 Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method. Following the changes in corporation tax rates in 2013, deferred tax balances at 31 December 2013 were re-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 2014, movements in the deferred tax balances have been measured at the effective statutory corporation tax rate for the year of 21.50% (2013: 23.25%). The deferred tax balances at 31 December 2014 have then been re-measured at 20% as the temporary differences on which deferred tax has been calculated are expected to reverse after 1 April 2015. A tax charge in 2014 of £nil (2013: £nil) represents the income statement adjustment to deferred tax as a result of this change. The movement in the deferred tax asset during the year can be analysed as follows:

Asset	2014 £m	2013 £m
At 1 January	0.9	1.1
Charge to the income statement (note 5)	(0.5)	(0.1)
Transfer in from Greenwood Personal Credit Limited	0.1	-
Impact of change in UK tax rate: - charge to the income statement	-	(0.1)
At 31 December	0.5	0.9

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

	2014			2013		
	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	0.5	0.9	0.4	0.7	1.1
Charge to the income statement	-	(0.5)	(0.5)	-	(0.1)	(0.1)
Transfer in from Greenwood Personal Credit Limited	-	0.1	0.1	-	-	-
Impact of change in UK tax rate: - charge to the income statement	-	-	-	-	(0.1)	(0.1)
At 31 December	0.4	0.1	0.5	0.4	0.5	0.9

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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 Cash and cash equivalents

	2014	2013
	£m	£m
Cash at bank and in hand	7.1	10.1

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

	2014	2013
	£m	£m
Currency	£m	£m
Sterling	6.9	10.0
Euro	0.2	0.1
Total	7.1	10.1

17 Bank and other borrowings

Borrowing facilities principally comprise overdrafts which are repayable on demand.

As at 31 December 2014, borrowings amounted to £0.7m (2013: £4.5m).

The company, together with Provident Financial plc, are permitted borrowers under the bank syndicated facility. As at 31 December 2014, the company had no outstanding borrowings under this facility.

The syndicated bank facility of the group as at 31 December 2014 comprised £382.5m maturing in May 2017. Headroom on this committed facility was £111.5m as at 31 December 2014 (2013: £235.2m). The weighted average period to maturity of these committed facilities was 2.36 years (2013: 1.35 years). On 12 January 2015, the group exercised its option to extend the £382.5m syndicated bank facility by 12 months to May 2018. Given that the group manages liquidity risk through the centralised treasury function, the borrowings maturity profile and undrawn facilities of the group is disclosed in the annual report of Provident Financial plc.

18 Trade and other payables

	2014	2013
	£m	£m
Current liabilities	£m	£m
Trade payables	0.2	0.9
Amounts owed to ultimate parent undertaking	616.9	695.3
Amounts owed to parent undertaking	15.5	-
Other payables including taxation and social security	2.5	2.3
Accruals	10.1	7.3
Total	645.2	705.8

The fair value of trade and other payables equates to their book value (2013: fair value equated to book value). The amounts owed to ultimate parent and parent undertakings are unsecured, due for repayment in less than one year and generally accrue interest at rates linked to LIBOR.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Preference shares

	2014	2013
	£m	£m
Non-current liabilities		
Preference shares	0.3	0.3

		2014		2013	
		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 per share 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 per share in 2004, an annual coupon of 5.84% and a return on capital on a winding up of £0.01 per share.

20 Share capital

		2014		2013	
		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 (2013: no shares).

21 Share-based payments

Provident Financial plc operates three 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. The group also previously operated senior executive share option schemes (ESOS/SESO), although no options have been granted under these schemes since 2006. During 2014, awards/options have been granted under the SAYE scheme only (2013: awards and options granted under the LTIS and SAYE schemes only). The charge to the income statement during the year was £0.4m (2013: £0.3m) based on the awards/options granted to the company's employees. The assumptions to consider the appropriate fair values of options are outlined below:

	2014		2013	
	LTIS	SAYE	LTIS	SAYE
Grant date	08-Apr-14	05-Sep-14	01-Mar-13	23-Aug-13
Share price at grant date (£)	18.99	21.31	15.01	17.15
Exercise price (£)	-	16.44	-	13.05
Shares awarded/under option	-	121,761	9,747	98,347
Vesting period (years)	3	3 and 5	3	3 and 5
		21.2% to		23.7% to
Expected volatility	21.8%	22.2%	23.9%	27.2%
Option life (years)	3	Up to 5	3	Up to 5
Expected life (years)	3	Up to 5	3	Up to 5
		1.23% to		0.88% to
Risk-free rate	1.41%	1.75%	0.67%	1.64%
Expected dividends expressed as a dividend yield	n/a	4.40%	n/a	5.00%
Fair value per award/option (£)	18.99	4.16 to 4.27	15.01	3.37 to 3.72

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Share-based payments (continued)

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.

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

	LTIS		SAYE	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
2014				
Outstanding at 1 January	10,377	-	506,183	9.42
Granted	-	-	118,409	16.44
Lapsed	(10,377)	-	(58,454)	10.41
Exercised	-	-	(175,917)	7.89
Transferred	-	-	46,786	-
Outstanding at 31 December	-	-	437,007	11.69
Exercisable at 31 December	-	-	16,759	7.19

	LTIS		SAYE	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
2013				
Outstanding at 1 January	60,586	-	691,800	7.98
Granted	9,747	-	98,347	13.05
Lapsed	(19,744)	-	(66,046)	8.73
Exercised	(40,212)	-	(195,079)	6.69
Transferred	-	-	(22,839)	-
Outstanding at 31 December	10,377	-	506,183	9.42
Exercisable at 31 December	-	-	13,485	6.92

Share options outstanding under the SAYE schemes at 31 December 2014 had exercise prices ranging from 656p to 1,644p (2013: 491p to 1,305p) and a weighted average remaining contractual life of 1.9 years (2013: 1.9 years).

There were no share options outstanding under the ESOS/SESO, PSP or LTIS schemes as 31 December 2014.

The transfer of options in 2014 and 2013 occurred due to an intercompany transfer between the company, 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Other reserves

	Share-based payment reserve £m	Hedging reserve £m	Total other reserves £m
At 1 January 2013	2.6	(0.2)	2.4
Other comprehensive income:			
- cash flow hedges	-	0.3	0.3
Other comprehensive income for the year	-	0.3	0.3
Transaction with owners:			
- share-based payment charge	0.3	-	0.3
- transfer of share-based payment reserve	(1.0)	-	(1.0)
At 31 December 2013	1.9	0.1	2.0
At 1 January 2014	1.9	0.1	2.0
Transaction with owners:			
- share-based payment charge	0.4	-	0.4
- transfer of share-based payment reserve	(0.4)	-	(0.4)
At 31 December 2014	1.9	0.1	2.0

The share-based payment reserve reflects the corresponding credit entry to the cumulative share-based payment charges made through the income statement as there is no cash cost or reduction in assets from the charges. When options and awards vest, that element of the share-based payment reserve relating to those awards and options is transferred to retained earnings.

23 Commitments

Commitments under operating leases are as follows:

	2014 £m	2013 £m
Due within one year	0.3	0.3
Due between one and five years	0.4	0.5
Due in more than five years	-	0.1
Total	0.7	0.9

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

24 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 2014 are set out below:

	2014			2013		
	Management recharge £m	Interest charge £m	Outstanding balance £m	Management recharge £m	Interest charge £m	Outstanding balance £m
Ultimate parent undertaking	-	43.1	(616.9)	-	46.6	(694.5)
Immediate parent undertaking	91.2	(14.9)	184.5	66.4	(15.2)	200.9
Other subsidiaries of the immediate parent undertaking	(0.9)	-	-	(5.1)	-	5.5
Total	90.3	28.2	(432.4)	61.3	31.4	(488.1)

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 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 £1,038.7m (2013: £1,095.3m). At 31 December 2014, the borrowings amounted to £905.7m (2013: £838.6m). No loss is expected to arise.

26 Reconciliation of profit after taxation to cash generated from operations

	Note	2014 £m	2013 £m
Profit after taxation		72.1	53.0
Adjusted for:			
- tax charge	5	18.8	15.0
- finance income	2	(14.9)	(15.2)
- finance costs	3	43.1	46.6
- share-based payment charge	21	0.4	0.3
- depreciation of property, plant and equipment	9	0.9	1.4
Changes in operating assets and liabilities:			
- amounts receivable from customers		136.0	101.1
- trade and other receivables		8.5	9.4
- trade and other payables		(64.1)	(85.3)
Cash generated from operations		200.8	126.3

27 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.