PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

Results

The income statement for the year is set out on page 11. The loss for the year of £135.1m (2016: profit of £72.1m) has been deducted from/added to reserves.

Dividends

During the year ended 31 December 2017, the directors paid an interim dividend on the ordinary shares of the company of £nil (2016: £55.0m). The directors do not recommend a final dividend in 2017 (2016: £nil).

Provident Financial plc waived the right in 2017 to receive the 5.165% dividend on the preference shares issued in 2002 and the 5.84% dividend on the preference shares issued in 2004. During 2016 the directors declared and paid the 5.165% dividend on the preference shares issued in 2002 of £9,130 and the 5.84% dividend on the preference shares issued in 2004 of £7,313.

Directors

The directors of the company during the year ended 31 December 2017, all of whom were directors for the whole year then ended and to the date of this report, except where stated, were:

M J Le May	Chairman	(Appointed 8 December 2017)
S W Sinclair		
C D Gillespie		(Appointed 25 August 2017)
M Wolstenholme		(Appointed 5 September 2017, died 23 November 2017)
E Thornhill		(Appointed 14 February 2018)
M Stevens		(Resigned 30 June 2017)
S A Lawrence		(Resigned 17 July 2017)
A J Parkinson		(Resigned 24 August 2017)
T R Anson		(Resigned 22 October 2017)
J H Vardon		(Resigned 22 October 2017)
L D Enock		(Resigned 1 February 2018)
P A McLelland		(Resigned 9 February 2018)

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 and financial statements of Provident Financial plc.

The financial and capital risk management policies of the company are set out on pages 23 to 25.

PROVIDENT PERSONAL CREDIT LIMITED
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DIRECTORS' REPORT (CONTINUED)

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

Equal opportunities
The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of 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 group 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.

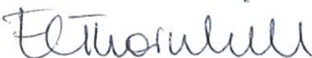
Last year, the group signed up to the National Equality Standard, for which the resulting initial report identified some key opportunities across the group. The business is therefore undertaking a full review of the group approach to equality, diversity and inclusion (EDI) over the coming year in order to support the diversity agenda.

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 Thornhill
Director
Bradford
23 March 2018

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

STRATEGIC REPORT

The trading performance in the year was significantly impacted by disruption caused by the poorly executed migration to a new operating model within the home credit business. The loss before taxation and exceptional items for the year of £139.6m compares with a profit before taxation and exceptional items of £88.5m in 2016.

Exceptional costs of £28.8m were incurred in 2017 in respect of redundancy, additional agent commission to encourage agent retention prior to the migration of the new home credit operating model, training costs associated with the migration to the new operating model, and subsequent implementation of the recovery plan to re-establish relationships with customers and stabilise the operation following the poor execution of the migration. Exceptional items in 2016 were £nil.

Following the significant losses before taxation and exceptional items incurred during 2017, the ultimate parent company, Provident Financial plc, has released the company from all of its obligations under an intercompany loan of £200.0m; this credit has been recognised through retained earnings.

Change in the home credit operating model

On 28 February 2017, the home credit business announced developments to the operating model in the UK that focused on changing from a self-employed agency model to an employed workforce, aimed at delivering a more efficient and effective business. The proposals were intended to enhance the home credit operating model by: (i) serving customers through 2,500 full-time employed Customer Experience Managers (CEMs) rather than 4,500 self-employed agents to take direct control of all aspects of the relationship with the customer; (ii) streamlining field management from 800 to 400 employees, with newly defined roles and ways of working; and (iii) developing further technology to improve efficiency and effectiveness. The migration to the new UK home credit operating model, with more centralised control over a distributed workforce and greater evidencing of customer interactions through voice recording technology, was also intended to enhance regulatory standards by improving first line oversight of field staff.

During the transition phase to the new operating model in May and June, the business experienced higher operational disruption than anticipated, with agent attrition rates and vacancy levels adversely impacting collections, sales penetration, customer retention and profits. Trading performance was expected to normalise once the new operating model was implemented on 6 July 2017. However, poor execution in the implementation of the new operating model resulted in a significant amount of unforeseen disruption in July and August. The model initially deployed placed insufficient recognition of the importance of the front line customer relationship to the performance of the business. It was also too prescriptive in the way the workforce was managed, removing the ability of local management to prioritise and allocate resources. The re-design of territories and CEM rounds resulted in both discontinuity and disruption to customer relationships. There were also problems with the operation and flexibility of the routing and scheduling software due to data integrity issues which adversely impacted customer relationships. The combination of these factors resulted in significant decreases in receivables from an increase in arrears and impairment.

A recovery plan was developed through September which retains the employed operating model in the UK which, in due course, should allow the business to own and manage all aspects of the customer journey and exercise greater control over customer interactions. The primary focus of the recovery plan is to re-establish relationships with customers, stabilise the operation of the business and improve collections performance. A number of important actions have already been implemented to support these objectives. These involve moving away from the overly prescriptive routing and scheduling of customer interactions which were embedded in the new operating model and restoring the ability of local management to prioritise and allocate resources to meet customer needs. A key feature of this is increasing field management resource in order to restore appropriate spans of control which had been heavily diluted on implementation of the new operating model.

Change in the home credit operating model (continued)
The specific measures include:

- Moving from two UK divisions to four through the recruitment of two additional general managers and increasing the number of regional managers from 12 to 24;
- Appointing assistant area managers to support compliance, administration and arrears in order to free up the 160 area managers to focus on local resource allocation and management of individual CEM activity in the field;
- Recruiting at least 300 part-time employed CEMs, primarily from the previously self-employed agent workforce to accelerate the reconnection with customers;
- Providing additional training for new and underperforming CEMs, including extending the shadowing period and reintroducing a 'buddy' system;
- Increasing contact centre resource to handle significantly higher call volumes, undertake a customer contact programme and assist customers making their regular payments; and
- Management of the field organisation is being supported by the extensive use of analytics including tools that allow field management and CEMs to view and manage activity on a real-time basis via handheld technology.

The home credit business has made good progress in implementing the recovery plan. The actions taken by management are delivering a significant improvement in customer service and operational performance. In particular, collections performance in December of 78% was up from 65% in September and 57% in August and the business delivered both customer and receivables growth through the seasonally busy fourth quarter having experienced significant reductions in the previous two quarters.

Financial performance
Customer numbers at 31 December 2017 were 780,000 (2016: 862,000), 9.5% or 82,000 lower than at 31 December 2016. Customer numbers comprise 697,000 in respect of the home credit business (2016: 802,000) and 79,000 (2016: 55,000) in respect of Satsuma, with a further 4,000 customers remaining in the run-off guarantor loans business, glo (2016: 5,000).

Within home credit, 527,000 customers are active and currently making payments compared with around 782,000 at the end of 2016, with the significant reduction reflecting the damage caused to customer relationships as a result of the poorly executed migration to the new operating model. The business also has 170,000 customers who have ceased paying, predominantly following the implementation of the new model. These customers are either being retained in the field as the business attempts to reconnect with them or within the central collections department. Following implementation of the recovery plan, the business expects to maintain an active customer base of around 530,000.

Satsuma customer numbers showed strong growth of 43.6% during the year. Satsuma has continued to experience a step-up in volumes through the ongoing improvements in the customer journey and product distribution. New business volumes and further lending to established customers was 30% higher than 2016 with 40% year-on-year growth experienced during the fourth quarter.

Total amounts receivable from customers were £390.6m at the end of 2017 (2016: £584.8m), 33.2% lower than 2016. Receivables comprise £352.2m in respect of the home credit business (2016: £560.0m), £35.8m in respect of Satsuma (2016: £18.2m) and £2.6m in respect of the run-off of glo (2016: £6.6m).

Home credit receivables fell by 37.1% compared with 2016 reflecting the 32.6% reduction in active customer numbers and the associated additional impairment arising from previously paying customers with whom the business has failed to reconnect. Receivables showed growth of approximately £36m during the seasonally busy fourth quarter of the year. Receivables are expected to show a further modest reduction during 2018 as the business focuses on embedding the new operating model, improving the risk and control framework and obtaining full authorisation from the FCA.

Financial performance (continued)
Revenue decreased by 13.3% to £448.5m (2016: £517.1m) consistent with the year-on-year decrease in average receivables of 12.8%. The revenue yield (revenue as a percentage of average receivables) in 2017 was broadly unchanged at 101.1% (2016: 101.7%). This reflects an increase in the mix of lending to existing customers in the home credit business, who tend to be served with lower yielding, longer duration products, substantially offset by the increase in Satsuma volumes which tend to be higher yielding, shorter duration products.

Finance costs in 2017 of £34.7m were 4.1% lower than last year. This reflects a reduction in the funding rate for the company from 7.1% in 2016 to 6.4% in 2017 due to a reduction in group borrowing costs, partly offset by an increase in the average borrowing requirements from group year-on-year.

Impairment charges on amounts receivable from customers showed a significant increase of 134.1% to £293.6m in 2017 (2016: £125.4m) reflecting the significant disruption experienced on migration to the new operating model and the rate of reconnection with those customers whose relationship had been adversely impacted being at the lower end of expectations.

The significant increase in impairment experienced during 2017 resulted in the annualised risk-adjusted margin reducing from 77.0% in 2016 to 34.9% in 2017. Risk-adjusted margin is calculated as revenue less impairment as a percentage of average receivables.

Administrative and operating costs increased by 7.3% to £301.5m in 2017 (2016: £280.9m). Administrative and operating costs before exceptional costs reduced by 2.9% to £272.7m in 2017 (2016: £280.9m). The migration to the new operating model in the UK has resulted in the replacement of variable agents' commission costs with fixed cost salaries other than in the Republic of Ireland which still operates a self-employed model. As a result, the significant reduction in collections performance experienced during the year was not matched by a reduction in costs. The business expects to secure improvements in the effectiveness and efficiency of the field organisation as the new business model continues to be embedded. Customer facing resource is being managed very carefully in order to ensure that further improvements in customer service are delivered.

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 full authorisation to the FCA prior to set deadlines. The company has obtained interim permissions and submitted its application for full authorisation in May 2015. The company continues to operate under an interim permission whilst the home credit business implements its recovery plan. 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.

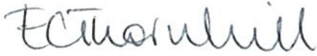
Going concern
Having considered the cash flow and liquidity requirements of the company and the company's forecasts, the directors expect that the business will continue for the foreseeable future and the company will be able to meet its liabilities as they fall due. As announced on 27 February 2018, the ultimate parent company, Provident Financial plc, announced its intention to raise £331m of capital by way of a rights issue. Following the General Meeting held on 21 March 2018, the shareholders of the ultimate holding company approved the proposed rights issue. This will protect the Group's capital position and will allow the ultimate parent company the ability to continue its financial support for the company. Accordingly the financial statements of the company have been prepared on a going concern basis of accounting. Further details on the basis of preparation is provided on page 15.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

STRATEGIC REPORT (CONTINUED)

The company forms part of the Consumer Credit Division of Provident Financial plc. 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 Thornhill
Director
Bradford
23 March 2018

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

DIRECTORS' RESPONSIBILITIES STATEMENT

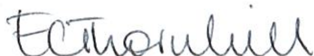
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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 Thornhill
Director
Bradford
23 March 2018

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Provident Personal Credit Limited (the 'company') 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.

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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF PROVIDENT PERSONAL CREDIT LIMITED (CONTINUED)

Other information (continued)
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF PROVIDENT PERSONAL CREDIT LIMITED (CONTINUED)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Matthew Perkins (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
23 March 2018

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

INCOME STATEMENT

For the year ended 31 December	Note	2017 £m	2016 £m
Revenue	1	448.5	517.1
Finance income	2	12.9	13.9
Total income		461.4	531.0
Finance costs	3	(34.7)	(36.2)
Impairment charges		(293.6)	(125.4)
Administrative and operating costs		(301.5)	(280.9)
Total costs		(629.8)	(442.5)
(Loss)/profit before taxation	4	(168.4)	88.5
(Loss)/profit before taxation and exceptional costs	4	(139.6)	88.5
Exceptional items	4	(28.8)	-
Tax credit/(charge)	5	33.3	(16.4)
(Loss)/profit for the year attributable to the equity shareholder		(135.1)	72.1

All of the above operations relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2017 £m	2016 £m
(Loss)/profit for the year attributable to the equity shareholder		(135.1)	72.1
Other comprehensive income:			
- fair value movement on cash flow hedges	12	0.2	-
- exchange differences on translation of foreign operations		(0.3)	(1.2)
Other comprehensive income for the year		(0.1)	(1.2)
Total comprehensive income for the year		(135.2)	70.9

PROVIDENT PERSONAL CREDIT LIMITED
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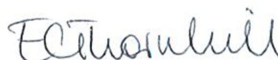
BALANCE SHEET

As at 31 December	Note	2017 £m	2016 £m
ASSETS			
Non-current assets			
Property, plant and equipment	9	8.3	3.4
Financial assets:			
- amounts receivable from customers	10	51.3	88.8
Deferred tax assets	15	0.7	0.7
		60.3	92.9
Current assets			
Financial assets:			
- amounts receivable from customers	10	339.3	496.0
- trade and other receivables	13	203.1	204.1
- cash and cash equivalents	16	12.3	16.9
Current tax assets		35.2	-
		589.9	717.0
Total assets		650.2	809.9
LIABILITIES			
Current liabilities			
Financial liabilities:			
- derivative financial instruments	12	-	(0.1)
- trade and other payables	18	(438.9)	(660.8)
Current tax liabilities		-	(2.4)
		(438.9)	(663.3)
Non-current liabilities			
Financial liabilities			
- preference shares	19	(0.3)	(0.3)
		(0.3)	(0.3)
Total liabilities		(439.2)	(663.6)
NET ASSETS		211.0	146.3
SHAREHOLDER'S EQUITY			
Share capital	20	71.5	71.5
Share premium		1.0	1.0
Other reserves	22	0.4	0.3
Retained earnings		138.1	73.5
TOTAL SHAREHOLDER'S EQUITY		211.0	146.3

The financial statements on pages 11 to 42 were approved by the board of directors on 23 March 2018 and signed on its behalf by:

C D Gillespie
Director



E Thornhill
Director

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

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 2016		71.5	1.0	0.5	57.1	130.1
Profit for the year		-	-	-	72.1	72.1
Other comprehensive income:						
- exchange differences on translation of foreign operations		-	-	-	(1.2)	(1.2)
Other comprehensive income for the year		-	-	-	(1.2)	(1.2)
Total comprehensive income for the year		-	-	-	70.9	70.9
Transactions with owners:						
- share-based payment charge	21	-	-	0.3	-	0.3
- transfer of share-based payment reserve		-	-	(0.5)	0.5	-
- dividends	6	-	-	-	(55.0)	(55.0)
At 31 December 2016		71.5	1.0	0.3	73.5	146.3
At 1 January 2017		71.5	1.0	0.3	73.5	146.3
Loss for the year		-	-	-	(135.1)	(135.1)
Other comprehensive income:						
- fair value movement on cash flow hedges		-	-	0.2	-	0.2
- exchange differences on translation of foreign operations		-	-	-	(0.3)	(0.3)
Other comprehensive income for the year		-	-	0.2	(0.3)	(0.1)
Total comprehensive income for the year		-	-	0.2	(135.4)	(135.2)
Transactions with owners:						
- share-based payment credit	21	-	-	(0.1)	-	(0.1)
- release of intercompany loan by ultimate parent		-	-	-	200.0	200.0
At 31 December 2017		71.5	1.0	0.4	138.1	211.0

Other reserves are further analysed in note 22.

PROVIDENT PERSONAL CREDIT LIMITED
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STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2017 £m	2016 £m
Cash flows from operating activities			
Cash generated from operations	26	25.3	104.8
Finance costs paid		(34.7)	(36.2)
Finance income received		12.9	13.9
Tax paid		(1.6)	(16.1)
Net cash generated from operating activities		1.9	66.4
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(7.1)	(1.9)
Proceeds from disposal of property, plant and equipment	9	0.6	0.4
Net cash used in investing activities		(6.5)	(1.5)
Cash flows from financing activities			
Dividends paid to company shareholder	6	-	(55.0)
Net cash used in financing activities		-	(55.0)
Net (decrease)/increase in cash, cash equivalents and overdrafts		(4.6)	9.9
Cash, cash equivalents and overdrafts at beginning of year		16.9	7.0
Cash, cash equivalents and overdrafts at end of year		12.3	16.9
Cash, cash equivalents and overdrafts at end of year comprise:			
Cash at bank and in hand	16	12.3	16.9
Total cash, cash equivalents and overdrafts		12.3	16.9

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

STATEMENT OF ACCOUNTING POLICIES

General information
The company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is No. 1 Godwin Street, Bradford, West Yorkshire, 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 has made the following disclosure reclassifications within the statutory financial statements for the year ended 31 December 2017 and within the financial information:

(a) Separate disclosure of impairment on the face of the income statement

Historically, costs have been analysed between operating costs, administrative costs and finance costs on the face of the income statement. Operating costs comprised impairment, agents' commissions and marketing and acquisition costs. However, under the new home credit operating model within the UK, agent's commission costs have been replaced with salaries which will be shown under administrative costs. Given that impairment costs will comprise a significant proportion of the remaining operating costs and due to its significance to the company, it is considered appropriate to disclose impairment separately on the face of the income statement. The residual operating costs comprising marketing and acquisition costs have been incorporated within administrative and operating costs with 2016 comparatives reclassified.

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) There have been no new or amended standards adopted by the company in the financial year beginning 1 January 2017 which had a material impact on the company.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2017 and not early adopted:

IFRS 9 'Financial instruments' is effective from 1 January 2018 and replaces IAS 39 'Financial instruments: Recognition and measurement'. The standard has been applied prospectively and prior year comparatives will not be restated.

IFRS 9 prescribes: (i) classification and measurement of financial instruments; (ii) expected loss accounting for impairment, and (iii) hedge accounting. The only area which materially affects the group is expected loss accounting for impairment. Under this approach, impairment provisions are recognised on inception of a loan based on the probability of default and the typical loss arising on default:

> Stage 1 – Accounts at initial recognition. The expected loss is based on a 12 month probability of default (PD), based on historic experience, and revenue is recognised on the gross receivable before impairment provision.

> Stage 2 – Accounts which have suffered a significant deterioration in credit risk but have not defaulted. The expected loss provision is based on full lifetime losses, based on historic experience, and revenue is recognised on the gross receivable before impairment provision.

> Stage 3 – Accounts which are in default. The expected loss provision is based on full lifetime losses, based on historic experience. Revenue is recognised on the net receivables after impairment provision. This stage is effectively the current IAS 39 treatment for impairment.

Basis of preparation (continued)
> Provisions are calculated based on an unbiased probability-weighted outcome which take into account historic performance and considers the outlook for macro-economic conditions.

The impairment approach under IFRS 9 differs from the current incurred loss model under IAS 39 where impairment provisions are only reflected when there is objective evidence of impairment, typically a missed payment. The resulting effect is that impairment provisions under IFRS 9 are recognised earlier. This will result in a one-off adjustment to receivables, deferred tax and reserves on adoption and will result in delayed recognition of profits.

The company's unaudited IFRS 9 loss before tax in 2017 of £153.9m were £14.5m lower than IAS 39 loss before tax of £168.4m. This reflects the impact of the shrinkage in receivables. Profits in growing businesses tend to be lower under IFRS 9 whilst conversely profits of shrinking business tend to be higher.

The adoption of IFRS 9 into the opening balance sheet on 1 January 2018 results in a reduction in receivables of £43.3m, which net of deferred tax, results in a reduction in net assets of £35.8m.

Despite the adjustments required to receivables, net assets and earnings, it is important to note that IFRS 9 only changes the timing of profits made on a loan. The company's underwriting and scorecards will be unaffected by the change in accounting, the ultimate profitability of loan is the same under both IAS 39 and IFRS 9 and more fundamentally the cash flows and capital generation over the life of a loan remain unchanged.

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 leases and service contracts on the basis of whether an identified asset is controlled by the customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability are recognised for all leases by lessees, except for short term assets and leases of low value assets. The right of use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The classification of cash flows will be also affected as under IAS 17 operating lease payments are presented as operating cash flows; whereas under IFRS 16, the lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively.

The group and company are in the process of assessing the impact of the standard and will adopt from the effective date of 1 January 2019.

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.

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.

Within the weekly home credit business, 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.

Within the Satsuma business, objective evidence of impairment is based on the contractual payment performance of loans; loans are deemed to be impaired when the cumulative amount of two or more contractual weekly payments for weekly products, or one or more contractual monthly payments for monthly products, have been missed since only at this point do the expected future cash flows from loans deteriorate significantly. Loans with the equivalent of one missed weekly payment 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.

Amounts receivable from customers (continued)
Within glo, where repayments are typically made monthly, customer balances are deemed to be impaired when one monthly contractual payment is missed. Impairment is calculated as the difference between the carrying value of receivables and the present value of estimated future cash flows discounted at the original effective interest rate. Estimated future cash flows are based on the historical performance of customer balances falling into different arrears stages and are regularly assessed.

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

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 and operating costs in the income statement.

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

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 statement of comprehensive income.

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.

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 approved by the company's board of directors.

PROVIDENT PERSONAL CREDIT LIMITED
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STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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 income statement on an accruals basis.

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 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 providing 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 income statement 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.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Exceptional items
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.

Taxation
The tax entries represent 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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

Deferred tax is determined using tax rates (and laws) that have been enacted or 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.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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

Amounts receivable from customers
The company reviews its portfolio of loans and receivables for impairment at each balance sheet date. For the purposes of assessing the impairment of customer loans and receivables, customers are categorised into arrears stages as this is considered to be the most reliable predictor of future payment performance. The company makes judgements to determine whether there is objective evidence which indicates that there has been an adverse effect on expected future cash flows. In the weekly home credit business, 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. In the Satsuma business, receivables are deemed to be impaired when the cumulative amount of two or more contractual weekly payments for weekly products, or one or more contractual monthly payments for monthly products, have been missed. Customer accounts in glo are deemed to be impaired when one contractual monthly payment has been missed.

Key sources of estimation uncertainty:

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 £3.9m (2016: £5.8m) higher/lower. Given the recent trading performance of the home credit business, the suitability of the 1% sensitivity has been reviewed and considered appropriate given ongoing improvement in collections performance and the linear relationship of the impact.

PROVIDENT PERSONAL CREDIT LIMITED
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FINANCIAL AND CAPITAL RISK MANAGEMENT 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 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.

(i) Amounts receivable from customers

The company's maximum exposure to credit risk on amounts receivable from customers as at 31 December 2017 is the carrying value of amounts receivable from customers of £390.6m (2016: £584.8m).

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

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

The loans offered by the weekly home credit business are short term, typically a contractual period of around a year, with an average value of approximately £600. The loans are underwritten centrally which generates a 'no' or 'maybe' decision, with the affordability and lending decision made by one of the team of Customer Experience Managers ('CEM') based on a completed application form and the home visit. Once a loan has been made, a CEM typically visits the customer weekly, to collect payment. The CEM 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 CEMs have with customers allows the company 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.

The company reassesses affordability each time a CEM visits an existing customer to re-serve, 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 within the home credit business is a combination of central letters, central telephony, and field activity. This will often involve a home visit to discuss the customer's reasons for non-payment and to agree the approach going forwards.

The loans offered by the Satsuma business are short-term, with a contractual period of between 3 and 12 months, or weekly equivalent, and an average value of around £450. The loans are underwritten using decision engines and scorecards, enhanced with the use of external credit bureau data, and regularly refined as the business grows. An affordability assessment is performed on all customers.

(a) Credit risk (continued)
Satsuma collections processes are undertaken utilising the collections capabilities at Vanquis Bank. Contact centre representatives are engaged at an early stage to optimise collections performance and work closely with customers, and for those customers whose circumstance have changed, representatives will utilise their extensive range of forbearance measures.

(ii) Counterparty risk
The company's maximum exposure to credit risk on bank counterparties as at 31 December 2017 was £1.8m (2016: £2.2m).

Counterparty credit risk arises as a result of cash deposits placed with banks and the use of derivative financial instruments with banks and other financial institutions which are used to hedge interest rate risk and foreign exchange rate risk. Counterparty credit risk is managed by the group's treasury committee and is governed by a board-approved counterparty policy which ensures that the group's cash deposits and derivative financial instruments are only made with high-quality counterparties with the level of permitted exposure to a counterparty firmly linked to the strength of its credit rating. In addition, there is a maximum exposure limit for all institutions, regardless of credit rating. This is linked to the group's regulatory capital base in line with the group's regulatory reporting requirements on large exposures to the 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 headroom on its committed borrowing facilities to fund growth and contractual maturities for at least the following 12 months, after assuming that Vanquis Bank will fully fund itself through retail deposits and repay its intercompany loan from Provident Financial plc. As at 31 December 2017, the group's committed borrowing facilities had a weighted average period to maturity of 2.2 years (2016: 2.5 years) and the headroom on these committed facilities amounted to £66.2m (2016: £110.2m). In addition the group has additional funding capacity for Vanquis Bank to take retail deposits of £76.9m and cash resources held of £34.3m.

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 and financial statements 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.

(c) Interest rate risk (continued)

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 2017 and 2016 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.

(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 exposure to movements in foreign exchange rates during 2017 arose from the home credit operations in the Republic of Ireland which are hedged by matching euro-denominated net assets with euro-denominated borrowings or forward contracts as closely as practicable.

To manage the foreign exchange rate risk within the home credit operations in the Republic of Ireland branch, it is policy to maintain the euro-denominated net assets position of the branch to within +/- €600,000 at each month end. This is achieved through periodic repatriation of euro-denominated profits to the company, which the company can sell in exchange for sterling. To provide greater certainty as to the value at which these euro-denominated cash flows are converted to sterling, forward exchange rate contracts are placed by the group treasury function.

As at 31 December 2017, a 2% movement in the sterling to euro exchange rate would have led to a £0.9m (2016: £1.2m) movement in customer receivables with an opposite movement of £0.9m (2016: £1.2m) in external borrowings. Due to the natural hedging of matching euro-denominated assets with euro-denominated liabilities, there would have been a minimal impact on reported profits and equity of the company (2016: £nil).

Further detail of the foreign exchange rate risk management are detailed within the annual report and financial statements 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 corporate 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 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

	2017 £m	2016 £m
Interest income	448.5	517.1

2 Finance income

	2017 £m	2016 £m
Interest receivable from parent undertaking	12.9	13.9

3 Finance costs

	2017 £m	2016 £m
Interest payable to ultimate parent undertaking	34.7	36.2

Provident Financial plc waived the right in 2017 to receive the 5.165% dividend on the preference shares issued in 2002 and the 5.84% dividend on the preference shares issued in 2004. The amount paid in 2017 was therefore £nil.

The preference dividends paid in 2016 in respect of the preference shares issued in 2002 (coupon rate 5.165%) and 2004 (coupon rate 5.84%) were 0.05p and 0.06p per share respectively. The total 2016 preference dividend cost was £16,443.

4 (Loss)/profit before taxation

	2017 £m	2016 £m
(Loss)/profit before taxation is stated after charging:		
Depreciation of property, plant and equipment (note 9)	1.6	1.2
Operating lease rentals:		
- property	0.4	0.3
Employment costs (prior to exceptional redundancy costs (note 8(b))	81.6	48.5
Exceptional redundancy costs (note 8(b))	16.3	-
Exceptional restructuring costs	12.5	-
Impairment of amounts receivable from customers (note 10)	293.6	125.4

The exceptional redundancy costs in 2017 of £16.3m are associated with the migration to the new home credit operating model. The exceptional restructuring costs in 2017 of £12.5m include additional agent commission to encourage agent retention prior to the migration of the new home credit operating model, as well as training costs associated with the migration to the new operating model, and subsequent implementation of the recovery plan to re-establish relationships with customers and stabilise the operation following the poor execution of the migration.

Auditor's remuneration payable to Deloitte LLP in respect of the audit of the company's financial statements is £142,000 (2016: £90,000). Auditor's remuneration to Deloitte LLP in respect of other services was £11,000 (2016: £14,000).

5 Tax credit/(charge)

Tax credit/(charge) in the income statement	2017 £m	2016 £m
Current tax		
- UK	33.5	(16.5)
- Overseas	(0.2)	(0.6)
Deferred tax credit (note 15)	-	0.8
Impact of change in UK tax rate	-	(0.1)
Total tax credit/(charge)	33.3	(16.4)

During 2015, changes 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. During 2016, a further change was enacted which further reduced the corporation tax rate from 18% to 17% with effect from 1 April 2020. Deferred tax balances at 31 December 2017 have been measured at 17% (2016: 17%) on the basis that the temporary differences on which the deferred tax has been calculated are expected to reverse after 1 April 2020 (2016: 1 April 2020). In 2017, movements in the deferred tax balances have been measured at the statutory corporation tax rate for the year of 19.25% (2016: 20.00%). A tax charge in 2017 of £nil (2016: £0.1m) represents the income statement adjustment to deferred tax as a result of these changes.

The rate of tax charge on the loss/profit before taxation for the year is lower than (2016: lower than) the average standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). This can be reconciled as follows:

	2017 £m	2016 £m
(Loss)/profit before taxation	(168.4)	88.5
(Loss)/profit before taxation multiplied by the average standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	32.4	(17.7)
Effect of:		
- adjustment in respect of prior years	0.2	1.1
- tax rate differences on losses carried back	0.6	-
- impact of change in UK tax rate	-	(0.1)
- impact of permanent differences	-	(0.1)
- benefit of lower rates overseas	0.1	0.4
Total tax credit/(charge)	33.3	(16.4)

The £1.1m tax credit in 2016 in respect of prior years primarily represents the benefit of securing tax deductions for employee share awards which were higher than originally anticipated.

6 Dividends

	2017 £m	2016 £m
2016 interim - 19.2p per share	-	55.0
Dividends paid	-	55.0

7 Directors' remuneration

The emoluments of the directors are paid by the immediate 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.

8 Employee information

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

	2017 Number	2016 Number
Administrative	36	34
Operations	2,020	939
Total	2,056	973
Analysed as:		
Full time	1,945	951
Part time	111	22
Total	2,056	973

(b) Employment costs

	2017 £m	2016 £m
Aggregate gross wages and salaries paid to the company's employees	66.5	35.2
Employer's National Insurance contributions	7.0	3.8
Pension charge (note 14)	8.2	9.2
Share-based payment (credit)/charge (note 21)	(0.1)	0.3
Total employment costs prior to exceptional redundancy costs	81.6	48.5
Exceptional redundancy costs (note 4)	16.3	-
Total employment costs	97.9	48.5

All the above employee information excludes directors whose remuneration is paid by Provident Financial Management Services Limited. These costs are recharged to the company as a management recharge at the year end.

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

9 Property, plant and equipment

	Equipment and vehicles	
	2017	2016
	£m	£m
Cost		
At 1 January	8.0	7.4
Additions	7.1	1.9
Disposals	(1.4)	(1.3)
At 31 December	13.7	8.0
Accumulated depreciation		
At 1 January	4.6	4.3
Charged to the income statement	1.6	1.2
Disposals	(0.8)	(0.9)
At 31 December	5.4	4.6
Net book value at 31 December	8.3	3.4
Net book value at 1 January	3.4	3.1

The loss on disposal of property, plant and equipment in 2017 amounted to £nil (2016: £nil) and represented proceeds received of £0.6m (2016: £0.4m) less the net book value of disposals of £0.6m (2016: £0.4m).

10 Amounts receivable from customers

			2017			2016
	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	339.3	51.3	390.6	496.0	88.8	584.8

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 2017 was 118% (2016: 118%).

The average period to maturity of the amounts receivable from customers is 6.3 months (2016: 6.7 months).

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

Credit quality of amounts receivable from customers	2017 £m	2016 £m
Neither past due nor impaired	145.8	323.1
Past due but not impaired	50.2	63.9
Impaired	194.6	197.8
Total	390.6	584.8

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

10 Amounts receivable from customers (continued)

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:

Ageing analysis of past due but not impaired balances	2017 £m	2016 £m
One week overdue	33.4	46.1
Two weeks overdue	9.7	10.4
Three weeks or more overdue	7.1	7.4
Past due but not impaired	50.2	63.9

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

An impairment charge of £293.6m (2016: £125.4m) in respect of amounts receivable from customers is reflected in impairment charges in the income statement.

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

Currency profile of amounts receivable from customers	2017 £m	2016 £m
Sterling	344.2	526.0
Euro	46.4	58.8
Total	390.6	584.8

The fair value of amounts receivable from customers is approximately £0.7 billion (2016: £0.9 billion). Fair value has been derived by discounting expected future cash flows (net of collection costs) at the group's risk adjusted cost of capital at the balance sheet date.

Under IFRS 13, 'Fair Value Measurement', receivables are classed as Level 3 as they are not traded on an active market and the fair value is therefore determined through future cash flows.

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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:

					2017
	Loans and receivables £m	Amortised cost £m	Hedging derivatives £m	Non-financial assets/ liabilities £m	Total £m
Assets					
Cash and cash equivalents	12.3	-	-	-	12.3
Amounts receivable from customers	390.6	-	-	-	390.6
Trade and other receivables	203.1	-	-	-	203.1
Deferred tax assets	-	-	-	0.7	0.7
Current tax assets	-	-	-	35.2	35.2
Property, plant and equipment	-	-	-	8.3	8.3
Total assets	606.0	-	-	44.2	650.2
Liabilities					
Trade and other payables	-	(438.9)	-	-	(438.9)
Derivative financial instruments	-	-	-	-	-
Preference shares	-	-	-	(0.3)	(0.3)
Total liabilities	-	(438.9)	-	(0.3)	(439.2)

					2016
	Loans and receivables £m	Amortised cost £m	Hedging derivatives £m	Non-financial assets/ liabilities £m	Total £m
Assets					
Cash and cash equivalents	16.9	-	-	-	16.9
Amounts receivable from customers	584.8	-	-	-	584.8
Trade and other receivables	204.1	-	-	-	204.1
Deferred tax assets	-	-	-	0.7	0.7
Property, plant and equipment	-	-	-	3.4	3.4
Total assets	805.8	-	-	4.1	809.9
Liabilities					
Trade and other payables	-	(660.8)	-	-	(660.8)
Derivative financial instruments	-	-	(0.1)	-	(0.1)
Current tax liabilities	-	-	-	(2.4)	(2.4)
Preference shares	-	-	-	(0.3)	(0.3)
Total liabilities	-	(660.8)	(0.1)	(2.7)	(663.6)

12 Derivative financial instruments

The company uses foreign exchange contracts in order to manage the foreign exchange rate risk arising from the company's operations in the Republic of Ireland. The company does not enter into speculative transactions or positions. A liability of £nil is held in the company balance sheet as at 31 December 2017 in respect of foreign exchange contracts (2016: £0.1m).

The company's foreign exchange contracts comprise forward foreign exchange contracts to buy sterling for a total notional amount of £3.2m (2016: £7.6m). These contracts have a range of maturity dates from 16 January 2018 to 14 August 2018 (2016: 17 January 2017 to 12 December 2017). These contracts were designated and were effective under IAS 39 as cash flow hedges in the year and, accordingly, the movement in fair value of £0.2m has been credited to the hedging reserve within equity (2016: £nil).

The fair value of derivative financial instruments has been calculated by discounting contractual future cash flows using relevant market interest rate yield curves and foreign exchange rates prevailing at the balance sheet date. Under IFRS 13, 'Fair Value Measurement', these are therefore classed as Level 2 financial instruments.

13 Trade and other receivables

	2017	2016
Current assets	£m	£m
Other receivables	2.7	3.3
Amounts owed by parent undertaking	200.0	200.0
Prepayments and accrued income	0.4	0.8
Total	203.1	204.1

Amounts owed by parent undertaking 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 (2016: £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.

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 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 2017 these contributions amounted to £6.9m (2016: £7.9m). The expected contributions to the defined benefit pension scheme in the year ending 31 December 2018 are approximately £3.0m.

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 2017, 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 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.

14 Retirement benefits (continued)

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.

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

				Group
		2017		2016
	£m	%	£m	%
Equities	68.7	8	83.1	10
Other diversified return seeking investments	75.8	9	73.9	9
Corporate bonds	141.6	17	141.2	17
Fixed interest gilts	202.9	24	193.0	23
Index-linked gilts	341.6	41	337.4	41
Cash and money market funds	4.9	1	1.5	-
Total fair value of scheme assets	835.5	100	830.1	100
Present value of funded defined benefit obligations	(733.2)		(757.7)	
Net retirement benefit asset recognised in the balance sheet	102.3		72.4	

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

		Group
	2017	2016
	£m	£m
Fair value of scheme assets at 1 January	830.1	666.4
Interest on scheme assets	21.1	24.8
Actuarial movement on scheme assets	18.2	153.7
Contributions by the group	10.7	11.7
Net benefits paid out	(44.6)	(26.5)
Fair value of scheme assets at 31 December	835.5	830.1

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

		Group
	2017	2016
	£m	£m
Present value of the defined benefit obligation at 1 January	(757.7)	(604.1)
Current service cost	(4.2)	(4.0)
Interest on scheme liabilities	(19.1)	(22.3)
Exceptional curtailment credit	3.9	-
Actuarial movement on scheme liabilities	(0.7)	(153.8)
Net benefits paid out	44.6	26.5
Present value of defined benefit obligation at 31 December	(733.2)	(757.7)

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

		Group
	2017	2016
	%	%
Price inflation - RPI	3.20	3.25
Price inflation - CPI	2.10	2.15
Rate of increase to pensions in payment	2.95	3.00
Inflationary increase to pensions in deferment	2.10	2.15
Discount rate	2.40	2.55

14 Retirement benefits (continued)

The table below shows the sensitivity on the defined benefit obligation (not including any impact on assets) of changes in the key assumptions. Depending on the scenario, there would also be compensating asset movements.

	Group	
	2017	2016
	£m	£m
Discount rate decreased by 0.1%	14	15
Inflation increased by 0.1%	6	7
Life expectancy increased by 1 year	30	30

(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 represents contributions payable by the company in respect of the plan and amounted to £1.3m for the year ended 31 December 2017 (2016: £1.3m). No contributions were payable to the fund at the year end (2016: £nil).

The company made no contributions to personal pension plans in the year (2016: £nil).

15 Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method. During 2015, changes 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. During 2016, a further change was enacted which further reduced the corporation tax rate from 18% to 17% with effect from 1 April 2020. Deferred tax balances at 31 December 2017 have been measured at 17% (2016: 17%) on the basis that the temporary differences on which the deferred tax has been calculated are expected to reverse after 1 April 2020 (2016: 1 April 2020). In 2017, movements in the deferred tax balances have been measured at the statutory corporation tax rate for the year of 19.25% (2016: 20.00%). A tax charge in 2017 of £nil (2016: £0.1m) represents the income statement 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:

	2017	2016
Asset	£m	£m
At 1 January	0.7	-
Credit to the income statement (note 5)	-	0.8
Impact of change in UK tax rate:		
- charge to the income statement	-	(0.1)
At 31 December	0.7	0.7

15 Deferred tax (continued)

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

	2017			2016		
	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	0.3	0.7	0.4	(0.4)	-
Credit to the income statement	-	-	-	-	0.8	0.8
Impact of change in UK tax rate:						
- charge to the income statement	-	-	-	-	(0.1)	(0.1)
At 31 December	0.4	0.3	0.7	0.4	0.3	0.7

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

	2017	2016
	£m	£m
Cash at bank and in hand	12.3	16.9

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

	2017	2016
Currency	£m	£m
Sterling	11.1	15.6
Euro	1.2	1.3
Total	12.3	16.9

17 Bank and other borrowings

Borrowing facilities principally comprise overdrafts which are repayable on demand. As at 31 December 2017, borrowings amounted to £nil (2016: £nil).

The company, together with Provident Financial plc, are permitted borrowers under the bank syndicated facility. As at 31 December 2017, the company had no outstanding borrowings under this facility.

The syndicated bank facility of the group as at 31 December 2017 comprised £450m maturing in May 2020. Headroom on this committed facility was £66.2m as at 31 December 2017 (2016: £110.2m). The weighted average period to maturity of this committed facility was 2.4 years (2016: 1.4 years). Given that the group manages liquidity risk through the centralised treasury function, the borrowings, maturity profile and undrawn facilities of the group are disclosed in the annual report of Provident Financial plc.

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18 Trade and other payables

Current liabilities	2017 £m	2016 £m
Trade payables	0.3	-
Amounts owed to ultimate parent undertaking	398.6	617.6
Amounts owed to parent undertaking	25.9	32.7
Amounts owed to fellow subsidiary undertaking	2.5	2.7
Other payables including taxation and social security	5.0	2.0
Accruals	6.6	5.8
Total	438.9	660.8

Amounts owed to the ultimate parent undertaking have reduced from £617.6m in 2016 to £398.6m in 2017 as Provident Financial plc has released the company from all of its obligations under an intercompany loan of £200.0m; this credit has been recognised through retained earnings.

The fair value of trade and other payables equates to their book value (2016: fair value equated to book value). The amounts owed to the ultimate parent undertaking, parent undertaking and fellow subsidiary undertakings are unsecured, due for repayment in less than one year and generally accrue interest at rates linked to LIBOR.

19 Preference shares

Non-current liabilities	2017 £m	2016 £m
Preference shares	0.3	0.3

		2017		2016	
		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.

Due to the losses incurred in the company during 2017, the ultimate parent company Provident Financial plc waived the right to receive the preference share dividends in 2017.

20 Share capital

		2017		2016	
		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 (2016: no shares).

21 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. Provident Financial plc also operates a cash-settled share incentive scheme, the Provident Financial Equity Plan (PFEP) for eligible employees based on a percentage of salary. The group previously operated senior executive share option schemes (ESOS/SESO), although no options have been granted under these schemes since 2006.

During 2016 and 2017, options have been granted under the SAYE scheme only.

(a) Equity-settled schemes

The credit to the income statement during the year was £0.1m (2016: charge of £0.3m) for equity-settled schemes.

The assumptions to consider the appropriate fair values of options are outlined below:

	2017 SAYE	2016 SAYE
Grant date	29-Sep-17	28-Sep-16
Share price at grant date (£)	8.31	29.30
Exercise price (£)	6.85	24.06
Shares awarded/under option (number)	181,384	49,816
Vesting period (years)	3 and 5	3 and 5
Expected volatility	60.7% to 76.8%	25.4% to 27.2%
Option life (years)	3 and 5	3 and 5
Expected life (years)	3 and 5	3 and 5
Risk-free rate	0.92% to 1.09%	0.42% to 0.47%
Expected dividends expressed as a dividend yield	3.00%	3.00%
Fair value per award/option (£)	2.01 to 2.76	6.21 to 6.28

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.

21 Share-based payments (continued)

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

2017	SAYE Number	SAYE Weighted average exercise price £
Outstanding at 1 January	184,256	18.70
Granted	181,384	7.33
Lapsed	(137,901)	19.54
Exercised	(19,506)	10.73
Transferred	13,834	-
Outstanding at 31 December	222,067	7.45
Exercisable at 31 December	13,695	13.53

2016	SAYE Number	SAYE Weighted average exercise price £
Outstanding at 1 January	248,280	14.87
Granted	49,816	21.58
Lapsed	(41,540)	13.63
Exercised	(73,797)	9.66
Transferred	1,497	-
Outstanding at 31 December	184,256	18.70
Exercisable at 31 December	4,175	8.63

Share options outstanding under the SAYE schemes at 31 December 2017 had exercise prices ranging from 662p to 2,406p (2016: 662p to 2,406p) and a weighted average remaining contractual life of 3.2 years (2016: 1.0 years).

The transfer of options in 2017 and 2016 occurred due to an intercompany transfer between Provident Personal Credit Limited and Provident Financial Management Services 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

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 credit to the income statement in 2017 was £24,000 (2016: charge £21,000) and the company has a liability of £nil as at 31 December 2017 (2016: £24,000).

22 Other reserves

	Share-based payment reserve £m	Hedging reserve £m	Total other reserves £m
At 1 January 2016	0.7	(0.2)	0.5
Other comprehensive income for the year	-	-	-
Transaction with owners:			
- share-based payment charge	0.3	-	0.3
- transfer of share-based payment reserve	(0.5)	-	(0.5)
At 31 December 2016	0.5	(0.2)	0.3
At 1 January 2017	0.5	(0.2)	0.3
Other comprehensive income:			
- fair value movement on cash flow hedges	-	0.2	0.2
Other comprehensive income for the year	-	0.2	0.2
Transaction with owners:			
- share-based payment credit	(0.1)	-	(0.1)
At 31 December 2017	0.4	-	0.4

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 for future minimum lease payments are as follows:

	2017 £m	2016 £m
Due within one year	0.4	0.4
Due between one and five years	0.3	0.1
Total	0.7	0.5

The operating lease commitments are non-cancellable and 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 are set out below:

			2017			2016
	Management recharge £m	Interest charge £m	Outstanding balance £m	Management recharge £m	Interest charge £m	Outstanding balance £m
Ultimate parent undertaking	-	34.7	(398.6)	-	36.2	(617.6)
Immediate parent undertaking	115.9	(12.9)	174.1	116.1	(13.9)	167.3
Other subsidiary of the ultimate parent undertaking	4.9	-	(2.5)	5.1	-	(2.7)
Total	120.8	21.8	(227.0)	121.2	22.3	(453.0)

The outstanding balance represents the gross intercompany balance receivable by/(payable to) the company. Outstanding balances owed to the ultimate parent undertaking have reduced from £617.6m in 2016 to £398.6m in 2017 primarily as Provident Financial plc has released the company from all of its obligations under an intercompany loan of £200.0m; this credit has been recognised through retained earnings.

During the year the company paid dividends to the parent company, Provident Financial Management Services Limited, of £nil (2016: £55.0m).

During the year, the company sold one tranche (2016: six tranches) of charged off debt to a subsidiary of the ultimate parent undertaking, Vanquis Bank Limited. £37.0m (2016: £145.6m) of debt was sold for £1.5m (2016: £5.8m), with a purchase price of 4.0p per £1 of nominal value (2016: 3.95p to 4.0p) which reflected a market valuation.

During the year, the company received collection and debt recovery services from a subsidiary of the ultimate parent undertaking, Vanquis Bank Limited. The company was charged £4.9m for these services in 2017 (2016: £5.1m).

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 £972.6m (2016: £1,046.0m). At 31 December 2017, the borrowings amounted to £882.3m (2016: £914.0m). No loss is expected to arise.

A floating charge is held over the company's amounts receivable from customers of up to £15m in respect of the unfunded pension benefit promises made to the executive directors of the company's ultimate parent undertaking and certain members of senior management in group companies affected by the reduced annual allowance to pension schemes introduced in 2011 under the UURBS. No loss is expected to arise.

26 Reconciliation of (loss)/profit after taxation to cash generated from operations

	Note	2017 £m	2016 £m
(Loss)/profit after taxation		(135.1)	72.1
Adjusted for:			
- tax (credit)/charge	5	(33.3)	16.4
- finance income	2	(12.9)	(13.9)
- finance costs	3	34.7	36.2
- share-based payment (credit)/charge	21	(0.1)	0.3
- depreciation of property, plant and equipment	9	1.6	1.2
Changes in operating assets and liabilities:			
- amounts receivable from customers		194.2	(34.7)
- trade and other receivables		1.0	1.8
- trade and other payables		(24.8)	25.4
Cash generated from operations		25.3	104.8

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.