Provident Financial plc
Results for the year ended 31 December 2009

H I G H L I G H T S

Provident Financial plc ("Provident Financial") is the market-leading provider of home credit in the UK and Ireland, with a successful, developing credit card business. Its primary operations consist of the Consumer Credit Division and Vanquis Bank.

Key financial results

	2009	2008	Change
Customer numbers	2.3m	2.2m	5.4%
Year end receivables	£1,139.3m	£1,063.3m	7.1%
Profit before tax and exceptional costs	£130.1m	£128.8m	1.0%
Basic earnings per share before exceptional costs	71.4p	70.9p	0.7%
Profit before tax	£125.7m	£128.8m	(2.4%)
Basic earnings per share	67.5p	70.9p	(4.8%)
Final dividend per share	38.1p	38.1p	-
Total dividend per share	63.5p	63.5p	-

Highlights

Group

- Profit before tax and exceptional costs up £1.3m to £130.1m (2008: £128.8m).
- Careful management of the balance between growth, impairment and costs in both divisions supported by tighter underwriting criteria.
- Balance sheet strength and liquidity enhanced further through £250m 10-year senior public bonds issued in October 2009 and recent extension of banking facilities totalling £380m to May 2013.
- Substantial year end banking headroom of £331.0m (2008: £251.2m) and sound gearing ratio of 3.3 times (2008: 3.2 times).
- Full-year dividend of 63.5p per share maintained.

Consumer Credit Division

- Growth in home credit customer count of 5.1%.
- Demand for credit tempered by increasingly cautious behaviour of customers during peak fourth quarter period, exacerbated by adverse weather conditions in December.
- Credit quality of receivables book remains sound, assisted by investment in field collections capacity at start of year.
- Tight management of costs throughout 2009 and efficiency programme implemented for 2010.
- Market test of Real Personal Finance completed and, in current market conditions, direct repayment lending to be focussed solely on known prospects sourced from home credit branch network and customer database.

Vanquis Bank

- Pre-tax profit up 76.3% to £14.1m (2008: £8.0m) with business on track to deliver its medium-term target of a 30% post-tax return on equity by the end of 2010.
- Profit performance supported by a risk-adjusted margin* of 30.1% (2008: 31.8%) achieved through active management of line utilisation and revenue yield.
- New medium-term target to grow receivables to £450m by the end of 2012 whilst maintaining a post-tax return on equity of 30%.

** Revenue less impairment as a percentage of average receivables for the 12 months ended 31 December.*

Peter Crook, Chief Executive of Provident Financial, commented:

"I am pleased with the solid performance we delivered in 2009. We carefully positioned our businesses for turbulent market conditions well ahead of time and, as a result, we were able to maintain the flow of credit to our customers whilst keeping tight control over impairments and costs. In 2009, customer satisfaction levels remained high, with a measure of 94% in our home credit business being a strong endorsement of how much customers value our service.

Our funding position and balance sheet have recently been strengthened further, leaving us well placed to continue this approach and deliver good quality growth in market conditions that are unlikely to improve this year. Looking beyond 2010, the fall-out from market turmoil reinforces the medium-term opportunity to build a leading position in the UK non-standard consumer lending market."

Enquiries:	**Today**	**Thereafter**
Media		
David Stevenson, Provident Financial	020 7404 5959	01274 731111
Nigel Prideaux, Brunswick	020 7404 5959	020 7404 5959
Eilis Murphy, Brunswick	020 7404 5959	020 7404 5959
Investor Relations		
Stuart Caldwell, Provident Financial	020 7404 5959	01274 731111

Chairman's statement

Group results

The group has produced a solid performance in 2009, as a result of the careful management of growth, impairment and costs against the backdrop of a worsening economic environment. As planned, the rate of growth in customer numbers in both businesses has been slower than in 2008. Underwriting criteria were tightened further in the first half of the year in order to maintain credit quality during a period when the economy was deteriorating quite sharply. During the second half of the year, the pressure on customers' incomes from a weak employment market did not abate and both businesses maintained a tight stance on the granting of credit. In addition, existing customers exhibited increasingly cautious behaviour during 2009 which tempered demand for credit and was exacerbated by the adverse weather conditions during the peak trading weeks in December.

The investments made towards the end of 2008 in creating an additional 120 field management roles to increase the home credit collections capacity and in expanding contact centre capacity at Vanquis Bank have proved to be the right approach to managing through these difficult market conditions. As a result, both businesses have maintained good collections performances during 2009.

The market test of Real Personal Finance has been completed and a decision made to focus direct repayment business solely on known prospects generated through the home credit branch network and customer database.

Group profit before tax and exceptional costs was up 1.0% to £130.1m (2008: £128.8m) and basic earnings per share, as adjusted for exceptional costs, was 71.4p (2008: 70.9p).

The group's funding and liquidity positions have been further enhanced, with the balance sheet showing modest gearing in comparison to bank covenants and a significant surplus of regulatory capital. The group has successfully diversified its funding sources during 2009 through the issue of its £250m 10-year senior bonds. Undrawn committed bank facilities at the year end amounted to £331.0m. The group has also recently entered into forward-starting arrangements which extend syndicated bank facilities totalling £380m to May 2013 and has ample funding to execute its growth plans and meet contractual maturities for at least 18 months.

The proposed final dividend is maintained at 38.1p per share (2008: 38.1p) reflecting the company's policy set out at the time of the demerger to at least maintain a full-year payment of 63.5p per share whilst moving to a target payout ratio of 80% of post-tax profit in the medium term.

Market conditions

The group's strategy is focused on lending responsibly and maintaining the flow of small-sum unsecured credit to non-standard consumers who are typically less able to access credit from other lenders and may otherwise face financial exclusion.

Household incomes in those segments of the non-standard lending market served by the group's businesses have been and remain under pressure from the impact of rising unemployment and, more importantly, under-employment resulting from restrictions on working hours and wage rates.

Management have carefully positioned the group's businesses since the middle of 2007 in anticipation of a material deterioration in the economic environment. Underwriting standards have been progressively tightened to maintain credit quality which, together with the investments made to enhance collections capacity, have been successful in mitigating the impact of the deteriorating economic environment on the group's impairment charge.

The group's planning assumptions do not anticipate that employment conditions will improve for some time. Accordingly, a tight stance to underwriting will be maintained throughout 2010.

During the second half of 2009, there was an increase in the level of caution exhibited by some consumers who are experiencing pressure on their household incomes and face uncertainty over their future prospects. This increased caution, exacerbated by adverse weather conditions in the run-up to Christmas, tempered the demand for credit from established home credit customers during the peak fourth quarter trading period. Cautious consumer behaviour is expected to persist through 2010, resulting in relatively modest growth in receivables. As a result, there will be a strong focus on cost efficiency.

The competitive landscape for home credit providers has remained largely unchanged throughout the economic downturn. Whilst Provident Financial continues to be the largest operator in this segment, there are some 500 other home credit businesses that compete actively, many of whom operate in a single town or region.

In contrast, most businesses which operated in the direct repayment or credit card segment of the UK non-standard lending market have either failed, withdrawn or restructured. This presents a strong market opportunity for Vanquis Bank as an established participant in the non-standard credit card market. At present, the direct repayment unsecured lending market has become dislocated by the collapse of the primary broker distribution channel and it is apparent from the market test of Real Personal Finance that many potential customers are carrying far too much debt. Accordingly, direct repayment loans will be restricted to customers already known through the home credit branch network.

Regulation

The group is assisting with the Office of Fair Trading's review of the £35bn high-cost consumer credit market which it announced in July 2009. The review, which covers a broad range of lending activities of which home credit represents less than 5%, published its interim findings in December 2009 and is expected to conclude in April 2010.

The EU Directive on Consumer Credit has to be implemented in the UK by 31 January 2011. The regulations are still in draft form but the group has already commenced work to ensure it is able to comply with the new requirements by the implementation date.

The Department for Business Innovation and Skills is nearing its conclusion of the consultation on the future regulation of credit and store cards. The measures being debated centre upon transparency and putting the customer in control. Vanquis Bank is working closely with the UK Cards Association which is leading the industry's response to the consultation.

Outlook

The group has reported a solid performance in 2009 against the backdrop of pressure on customers' household budgets from rising unemployment and reduced working hours. The group's plans assume that these conditions will continue during 2010 and credit standards will be maintained to underpin the quality of new lending.

In 2010, the Consumer Credit Division is planning for relatively low receivables growth coupled with tight cost control. Accordingly, the business has recently implemented an efficiency programme across its central functions whilst leaving field collections and arrears management capacity unaffected. In addition, following the completion of the market test of Real Personal Finance, the decision has been made to focus direct repayment lending solely on known prospects sourced through the home credit business. This will result in a significant overhead reduction and losses will not continue through 2010.

Vanquis Bank is generating excellent growth and strong returns which leave it well placed to achieve its target of a 30% post-tax return on equity by the end of 2010.

Overall, the group's balance sheet and liquidity are extremely sound and it has positioned itself to deliver good quality growth for 2010 in market conditions that are unlikely to improve in the near term.

John van Kuffeler
Chairman
2 March 2010

Financial results

Consumer Credit Division

The Consumer Credit Division comprises the core home credit business and the market test of Real Personal Finance.

	Year ended 31 December 2009 £m	2008 £m	Change %
Profit/(loss) before tax:			
Home credit	128.9	128.8	0.1
Real Personal Finance	(7.7)	(2.7)	(185.2)
Consumer Credit Division	121.2	126.1	(3.9)

Home credit

	Year ended 31 December 2009 £m	2008 £m	Change %
Customer numbers ('000)	1,842	1,753	5.1
Average customer receivables	759.2	704.8	7.7
Revenue	673.7	645.9	4.3
Impairment	(216.7)	(197.3)	(9.8)
Revenue less impairment	457.0	448.6	1.9
*Impairment % revenue**	*32.2%*	*30.5%*	
Costs	(288.4)	(283.6)	(1.7)
Interest	(39.7)	(36.2)	(9.7)
Profit before tax	128.9	128.8	0.1

** Impairment as a percentage of revenue for the 12 months ended 31 December.*

The rate of customer growth slowed from 6.2% in 2008 to 3.3% in the first half of 2009 as tighter credit criteria were applied to the acquisition of new customers and marketing activity was curtailed in order to manage credit risk and focus the agent force on collections. Promotional activity was stepped up during the autumn and, against continued tough scoring of applications, the customer growth rate moved up to 5.1% by the year end.

The year on year growth in average receivables slowed to 7.7% in 2009 from 10.9% in 2008. This remained ahead of customer growth due to sound credit quality and the ability to re-serve good quality new customers on short-term loans with the core one year product. During 2009, the rate of average receivables growth slowed from 9.8% in the first half to 5.7% in the second half. Much of this resulted from the planned reduction in new customer growth and the tighter criteria applied to the issue of further credit to existing customers, particularly the issue of longer larger loans. However, it is also evident that existing customers became more cautious, concerned about their future prospects against the backdrop of rising unemployment and pressure on household incomes from under-employment. This cautious behaviour had a greater impact on sales to existing customers during the second half of the year and was exacerbated by the adverse nationwide weather conditions which affected sales in the peak trading weeks in mid-December.

Revenue growth of 4.3% was lower than the growth in receivables and reflected the impact arising from the Competition Commission remedy requiring higher early settlement rebates on loans issued after 13 December 2007, which had a limited effect until the second half of 2008. The remedy reduced revenue by £10m in 2008 and by a further £10m in 2009.

The impairment charge reflects a good collections performance throughout 2009, with the exception of the interruption to agents' rounds caused by the weather conditions in December which is not expected to have a material lasting effect. This was reinforced by tight credit standards and investment in collections capacity, including adding some 120 new field-based management roles at the start of the year. The underlying credit quality of the home credit receivables portfolio remains good. Impairment expressed as a percentage of revenue increased to 32.2% at the end of 2009 (2008: 30.5%), partly due to the impact of higher early settlement rebates on revenue. Impairment expressed as a percentage of average receivables increased to 28.5% in 2009 from 28.0% in 2008, underlining the effectiveness of maintaining an appropriate balance between growth, credit quality and collections capacity through a difficult trading period.

Very tight controls over costs were maintained during 2009, resulting in year on year growth of just 1.7%, notwithstanding higher top line growth and the investment in field capacity. Cost control will remain a major priority in 2010 set in the context of planning assumptions that reflect no improvement in the labour market conditions, continued pressure on household incomes and relatively weak demand for credit. Accordingly, headcount in the head office support functions has recently been reduced by around 90 people. The field collections and arrears management capacity is unaffected.

Overall, the home credit business produced a satisfactory performance in 2009, reporting a pre-tax profit of £128.9m (2008: £128.8m), after taking account of the increased investment in field collections capacity, the full-year impact of early settlement rebates and the one-off impact of adverse weather conditions during the peak trading weeks in December.

<u>Real Personal Finance</u>

The market test of direct repayment loans under the Real Personal Finance brand operated out of 50 locations during 2009, using dedicated field managers to underwrite loans on a face-to-face basis in the customer's home.

In 2009, Real Personal Finance generated revenues of £7.9m and incurred a start-up loss of £7.7m, up from £2.7m in 2008 and higher than expected because volumes were insufficient.

Direct referrals from home credit branches or sourced from the home credit customer database have provided a good flow of leads to Real Personal Finance and contributed approximately half of revenues in 2009. The market test also assumed that around half of new business would be sourced from the wider non-standard market served by credit brokers. However, 2009 has seen the withdrawal or restructuring of the major participants in the broker channel as a result of the severe decline in the volume of business being written in the non-standard direct repayment market. This reflects the strategic withdrawal or collapse of lenders to this segment of the market. In addition, far too many of the broker introduced loan applications received by Real Personal Finance during 2009 have been from consumers carrying unacceptably high levels of external indebtedness or not exhibiting the repayment discipline with other lenders to support further lending. Accordingly, only 1% of these leads were converted in 2009. This combination of factors means there has not been a sufficient flow of applicants of an acceptable quality to support the wider market proposition at this time. Furthermore, this is unlikely to change during 2010.

Consequently, the decision has been made to focus solely on known prospects generated through the home credit branch network or sourced from the home credit customer database. The direct repayment product, to be known as Provident Direct or Greenwood Direct, will therefore revert to being a product extension consistent with home credit's 'low and grow' approach to lending. There is no longer a requirement for the separate Real Personal Finance field sales force and associated central overhead. Accordingly, some 95 people have recently left the business and start-up losses, which amounted to £7.7m in 2009, will not continue through 2010.

In the medium term, the opportunity to add direct distribution channels into the broader non-standard market remains but will only be pursued when more stable market conditions return.

Vanquis Bank

	Year ended 31 December 2009	2008	Change
	£m	£m	%
Customer numbers ('000)	426	404	5.4
Average customer receivables	231.1	177.5	30.2
Revenue	131.3	94.6	38.8
Impairment	(61.7)	(38.2)	(61.5)
Revenue less impairment	69.6	56.4	23.4
*Risk-adjusted margin**	*30.1%*	*31.8%*	
*Impairment % revenue***	*47.0%*	*40.4%*	
Costs	(43.3)	(39.4)	(9.9)
Interest	(12.2)	(9.0)	(35.6)
Profit before tax	14.1	8.0	76.3

** Revenue less impairment as a percentage of average receivables for the 12 months ended 31 December.*
*** Impairment as a percentage of revenue for the 12 months ended 31 December.*

Demand for non-standard credit cards has remained strong, with approximately one million applications being received in 2009. The acceptance criteria applied to underwriting for new customer applications was tightened further in the first half of 2009 and then maintained through the second half, resulting in an overall decline rate of 83%. The overall rate of growth in customer numbers was also constrained through the cancellation of some 21,000 inactive accounts to mitigate the contingent risk associated with undrawn credit lines. As a result, customer numbers stood at 426,000 at the year end, up by 5.4% on 2008.

As planned, the main source of growth during the year was the credit line increase programme applied to eligible customers that have established a sound payment history. The returns from this ‘low and grow’ approach to extending credit remain good and resulted in the growth in average customer receivables of 30.2%, significantly ahead of customer number growth.

Vanquis Bank is extremely active in managing the level of credit line utilisation and revenue yield to reflect underlying credit risk. During 2009, the average utilisation of the credit lines granted by Vanquis Bank was approaching 80% which ensures that there is a strong stream of interest income and a relatively low level of contingent undrawn exposure. This contrasts with a typical prime card which operates with lower levels of utilisation and much higher card limits, generating greater credit loss volatility in a downturn.

The levels of customer delinquency and credit losses were stable during the second half of 2009, providing evidence that credit standards are set at appropriate levels in the current economic environment. Very importantly, the business maintained its risk-adjusted margin at its target of 30% in a tough environment through careful management of the relationship between the revenue yield and credit losses for each cohort of customers. The performance of the credit line increase programme to existing customers and new account origination is very satisfactory and the increased rate of impairment in 2009 resulted from accounts written earlier in Vanquis Bank’s development.

Costs remained tightly controlled, with the business benefitting from improved scale and savings achieved through the renegotiation of key supplier contracts towards the end of 2008. Profit before tax increased by 76.3% to £14.1m (2008: £8.0m), leaving the business well positioned to achieve its target to deliver a 30% post-tax return on equity before the end of 2010.

The competitive landscape for Vanquis Bank remains favourable and its business model has performed well during the economic downturn. We expect it to grow its receivables book from its current level of £255m to approximately £450m by the end of 2012, whilst maintaining a post-tax return on equity of 30%.

Yes Car Credit

The collect-out of the Yes Car Credit receivables portfolio was successfully completed at the end of October 2009 with the remaining infrastructure closed during November. The business produced a small profit before tax of £0.2m in its last year of operation (2008: loss of £2.9m).

Central costs

Central costs of £7.0m in 2009 (2008: £5.5m) were higher than in 2008 as a result of an increased investment in the group's community programme and higher share-based payment charges in respect of the group's various employee share schemes.

Central interest receivable was £1.6m in the year (2008: £3.1m), reflecting the surplus capital held by the group.

Taxation

The tax charge for 2009 represents an effective rate of 28.0% on profit before tax and exceptional costs (2008: 28.5%), in line with the UK corporation tax rate.

Dividends

The proposed final dividend is maintained at 38.1p per share (2008: 38.1p) reflecting the company's policy set out at the time of the demerger to at least maintain a full-year payment of 63.5p per share whilst moving to a target payout ratio of 80% of post-tax profit in the medium term.

Balance sheet

Net assets as at 31 December 2009 were £268.4m (2008: £277.9m). The decrease from the prior year reflects the reduction in the pension asset from £50.9m at December 2008 to £19.9m at December 2009, caused by a decline in the corporate bond yield used to discount liabilities and an upward movement in future inflation expectations. The level of gearing, calculated after excluding the pension scheme asset and the fair value of derivatives which are disregarded for the purpose of measuring performance against banking covenants, stood at 3.3 times (2008: 3.2 times), compared to the relevant borrowings covenant of 6.0 times at the year end (reduced to 5.0 times in February 2010 as part of the terms of the extension to bank facilities). The group's regulatory capital stands comfortably in excess of the Individual Capital Guidance (ICG) set by the Financial Services Authority (FSA) in September 2009 and the balance sheet reflects surplus equity capital of approximately £50m (2008: £55m).

Funding

The group maintains a prudent approach to liquidity management, seeking at least 12 months clear headroom on its committed facilities to fund planned growth.

As part of the group's strategy to diversify its funding sources, the group successfully issued its first senior public bonds amounting to £250m on 23 October 2009. The bonds are repayable in 2019 and carry a coupon of 8.0%. At the same time as this issue, the group repurchased £94m of the £100m subordinated loan notes prior to their call date on 15 June 2010 at a price of 97.5p in the £ following a tender offer. The group no longer required this lower tier 2 regulatory capital following confirmation of its ICG by the FSA.

As part of the refinancing, an exceptional finance cost of £4.4m was incurred. This comprises a £6.8m charge representing the fair value of interest rate swaps previously deducted from equity which became ineffective following the repayment of variable rate bank borrowings, less the discount of £2.4m on repurchase of the subordinated loan notes.

Total committed debt facilities available at the end of 2009 stood at £1.2bn, representing undrawn headroom of £331.0m. The group has also recently entered into forward-starting arrangements which extend syndicated bank facilities totalling £380m to May 2013. This provides the group with sufficient committed facilities to fund its planned growth for a period of at least 18 months.

The group's overall cost of funding will be approximately 8.0% for 2010 (2009: 7.0%).

Consolidated income statement for the year ended 31 December

	Note	2009 £m	2008 £m
Revenue	2	815.6	751.2
Finance costs		(58.2)	(45.7)
Finance costs before exceptional finance cost		(53.8)	(45.7)
Exceptional finance cost	2	(4.4)	-
Operating costs		(425.3)	(379.3)
Administrative expenses		(206.4)	(197.4)
Total costs		(689.9)	(622.4)
Profit before taxation	2	125.7	128.8
Profit before taxation and exceptional finance cost	2	130.1	128.8
Exceptional finance cost	2	(4.4)	-
Tax charge	3	(37.1)	(36.7)
Profit for the year attributable to equity shareholders		88.6	92.1

All of the above activities relate to continuing operations.

Consolidated statement of comprehensive income for the year ended 31 December

	Note	2009 £m	2008 £m
Profit for the year attributable to equity shareholders		88.6	92.1
Other comprehensive income:			
– cash flow hedges		(0.8)	(17.3)
– actuarial movements on retirement benefit asset	7	(37.3)	(17.1)
– tax on other comprehensive income	3	10.6	9.7
Other comprehensive income for the year		(27.5)	(24.7)
Total comprehensive income for the year		61.1	67.4

Earnings per share and dividends

	Note	2009 pence	2008 pence
Earnings per share			
Basic	4	67.5	70.9
Diluted	4	67.3	70.5
Dividends per share			
Proposed final dividend	5	38.1	38.1
Total dividend in respect of the year	5	63.5	63.5
Paid in the year*	5	63.5	63.5

* The total cost of dividends paid in the year was £84.1m (2008: £83.4m).

Consolidated balance sheet as at 31 December

	Note	2009 £m	2008 £m
ASSETS			
Non-current assets			
Goodwill	8	2.1	3.1
Other intangible assets		19.5	17.1
Property, plant and equipment		26.3	28.6
Financial assets:			
– amounts receivable from customers	6	86.9	83.7
– derivative financial instruments		12.5	28.9
Retirement benefit asset	7	19.9	50.9
Deferred tax assets		7.7	-
		174.9	212.3
Current assets			
Financial assets:			
– amounts receivable from customers	6	1,052.4	979.6
– cash and cash equivalents		20.3	19.5
– trade and other receivables		28.2	15.1
		1,100.9	1,014.2
Total assets	2	1,275.8	1,226.5
LIABILITIES			
Current liabilities			
Financial liabilities:			
– bank and other borrowings		(72.7)	(4.0)
– derivative financial instruments		(18.4)	(4.7)
– trade and other payables		(48.0)	(64.0)
Current tax liabilities		(39.2)	(32.8)
Provisions		(0.8)	(0.8)
		(179.1)	(106.3)
Non-current liabilities			
Financial liabilities:			
– bank and other borrowings		(817.6)	(824.5)
– derivative financial instruments		(10.7)	(16.1)
Provisions		-	(1.2)
Deferred tax liabilities		-	(0.5)
		(828.3)	(842.3)
Total liabilities		(1,007.4)	(948.6)
NET ASSETS	2	268.4	277.9
SHAREHOLDERS' EQUITY			
Called-up share capital		27.9	27.3
Share premium account		142.4	134.6
Other reserves		(13.0)	(16.3)
Retained earnings		111.1	132.3
TOTAL EQUITY		268.4	277.9

Consolidated statement of changes in shareholders' equity for the year ended 31 December

	Note	Called-up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2008		27.2	132.7	0.1	135.9	295.9
Profit for the year		-	-	-	92.1	92.1
Other comprehensive income:						
– cash flow hedges		-	-	(17.3)	-	(17.3)
– actuarial movements on retirement benefit asset	7	-	-	-	(17.1)	(17.1)
– tax on other comprehensive income		-	-	4.9	4.8	9.7
Other comprehensive income for the year		-	-	(12.4)	(12.3)	(24.7)
Total comprehensive income for the year		-	-	(12.4)	79.8	67.4
Transactions with owners:						
– issue of share capital		0.1	1.9	-	-	2.0
– purchase of own shares		-	-	(8.7)	-	(8.7)
– share-based payment charge		-	-	4.7	-	4.7
– dividends	5	-	-	-	(83.4)	(83.4)
At 31 December 2008		27.3	134.6	(16.3)	132.3	277.9
At 1 January 2009		27.3	134.6	(16.3)	132.3	277.9
Profit for the year		-	-	-	88.6	88.6
Other comprehensive income:						
– cash flow hedges		-	-	(0.8)	-	(0.8)
– actuarial movements on retirement benefit asset	7	-	-	-	(37.3)	(37.3)
– tax on other comprehensive income		-	-	0.2	10.4	10.6
Other comprehensive income for the year		-	-	(0.6)	(26.9)	(27.5)
Total comprehensive income for the year		-	-	(0.6)	61.7	61.1
Transactions with owners:						
– issue of share capital		0.6	7.8	-	-	8.4
– purchase of own shares		-	-	(0.9)	-	(0.9)
– share-based payment charge		-	-	6.1	-	6.1
– transfer of share-based payment reserve		-	-	(1.3)	1.3	-
– deferred tax on share-based payment reserve transfer		-	-	-	(0.1)	(0.1)
– dividends	5	-	-	-	(84.1)	(84.1)
At 31 December 2009		27.9	142.4	(13.0)	111.1	268.4

Consolidated statement of cash flows for the year ended 31 December

	Note	2009 £m	2008 £m
Cash flows from operations			
Cash generated from operations	9	92.7	40.9
Finance costs paid		(57.0)	(44.1)
Tax paid		(28.4)	(29.7)
Net cash generated from/(used in) operating activities		7.3	(32.9)
Cash flows from investing activities			
Purchase of intangible assets		(6.2)	(6.2)
Purchase of property, plant and equipment		(7.2)	(8.5)
Proceeds from disposal of property, plant and equipment		0.9	0.8
Proceeds from disposal of subsidiary undertaking	8	0.7	-
Net cash used in investing activities		(11.8)	(13.9)
Cash flows from financing activities			
Proceeds from borrowings		250.0	191.0
Repayment of borrowings		(171.3)	(51.8)
Dividends paid to company shareholders	5	(84.1)	(83.4)
Proceeds from issue of share capital		8.4	2.0
Purchase of own shares		(0.9)	(8.7)
Net cash generated from financing activities		2.1	49.1
Net (decrease)/increase in cash, cash equivalents and overdrafts		(2.4)	2.3
Cash, cash equivalents and overdrafts at beginning of year		16.9	14.6
Cash, cash equivalents and overdrafts at end of year		14.5	16.9
Cash, cash equivalents and overdrafts at end of year comprise:			
Cash at bank and in hand		20.3	19.5
Overdrafts (held in bank and other borrowings)		(5.8)	(2.6)
Total cash, cash equivalents and overdrafts		14.5	16.9

Notes to the preliminary announcement

1. Basis of preparation

The preliminary announcement has been prepared in accordance with the Listing Rules of the Financial Services Authority and is based on the 2009 financial statements which have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preliminary announcement does not constitute the statutory financial statements of the group within the meaning of Section 435 of the Companies Act 2006. The statutory financial statements for the year ended 31 December 2008 have been filed with the Registrar of Companies. The auditors have reported on those financial statements and on the statutory financial statements for the year ended 31 December 2009, which will be filed with the Registrar of Companies following the annual general meeting. Both the audit reports were unqualified and did not contain any statement under sections 498 (2) or (3) of the Companies Act 2006.

The preliminary announcement has been agreed with the company's auditors for release.

2. Segment information

IFRS 8 'Operating segments' requires segment reporting to be based on the internal financial information reported to the chief operating decision maker. The group's chief operating decision maker is deemed to be the Executive Committee comprising Peter Crook (Chief Executive), Andrew Fisher (Finance Director) and Chris Gillespie (Managing Director, Consumer Credit Division) whose primary responsibility it is to manage the group's day to day operations and analyse trading performance. The group's segments comprise the Consumer Credit Division, Vanquis Bank, Yes Car Credit and Central which are those segments reported in the group's management accounts used by the Executive Committee as the primary means for analysing trading performance. The Executive Committee assesses profit performance using profit before tax measured on a basis consistent with the disclosure in the group financial statements.

	Revenue		Profit/(loss) before taxation	
	2009 £m	2008 £m	2009 £m	2008 £m
Consumer Credit Division	681.6	651.8	121.2	126.1
Vanquis Bank	131.3	94.6	14.1	8.0
Yes Car Credit	2.7	4.8	0.2	(2.9)
	815.6	751.2	135.5	131.2
Central – costs	-	-	(7.0)	(5.5)
– interest receivable	-	-	1.6	3.1
Total central	-	-	(5.4)	(2.4)
Total group before exceptional finance cost	815.6	751.2	130.1	128.8
Exceptional finance cost	-	-	(4.4)	-
Total group	815.6	751.2	125.7	128.8

The Consumer Credit Division profit of £121.2m in 2009 (2008: £126.1m) comprises a profit of £128.9m in respect of the home credit business (2008: £128.8m) and a loss of £7.7m in respect of Real Personal Finance (2008: loss of £2.7m).

All of the above activities relate to continuing operations as defined in IFRS 5 'Non-current assets held for sale and discontinued operations'. Consistent with the treatment in prior years, the Yes Car Credit operation has been classified as part of continuing operations on the basis that revenue and impairment has continued to be generated from the loan book up until full collect-out of the loan book and closure of the collections operation in 2009.

2. Segment information (continued)

The exceptional finance cost of £4.4m in 2009 comprises:

- a £6.8m charge in respect of the fair value movements on interest rate swaps which were previously deferred in equity as cash flow hedges but which became ineffective following the issue of the group's fixed rate £250m senior public bonds on 23 October 2009 and the consequent repayments on the group's revolving floating rate bank facilities; and
- a £2.4m credit reflecting the 2.5% discount in respect of the repurchase of £94.0m of the group's subordinated loan notes on 23 October 2009.

Revenue between business segments is not material. All of the group's operations operate in the UK and Republic of Ireland.

	Total assets		Net assets/(liabilities)	
	2009	2008	2009	2008
	£m	£m	£m	£m
Consumer Credit Division	967.9	949.7	233.6	230.1
Vanquis Bank	269.5	215.8	51.7	40.8
Yes Car Credit	-	6.0	-	(40.2)
Central	167.5	121.7	(16.9)	47.2
	1,404.9	1,293.2	268.4	277.9
Intra-group elimination	(129.1)	(66.7)	-	-
Total group	1,275.8	1,226.5	268.4	277.9

The residual assets, liabilities and share of group borrowings of Yes Car Credit have been transferred to central activities following closure of the collections operation in 2009.

Segment net assets are based on the statutory accounts of the companies forming the group's business segments adjusted to assume repayment of intra-group balances and rebasing the borrowings of the Consumer Credit Division to reflect a borrowings to receivables ratio of 80%. The impact of this is an increase in the notional allocation of group borrowings to the Consumer Credit Division of £129.1m (2008: £66.7m) and an increase in the notional cash allocated to central activities of the same amount. The intra-group elimination adjustment removes this notional allocation to state borrowings and cash on a consolidated group basis.

3. Tax charge

The tax charge in the income statement is as follows:

	2009 £m	2008 £m
Current tax	(34.8)	(32.6)
Deferred tax	(2.3)	(4.1)
Total tax charge	(37.1)	(36.7)

The tax charge includes a charge of £0.7m in respect of the exceptional finance cost (see note 2).

Deferred tax is calculated in full on temporary differences under the balance sheet liability method and is measured at 28.0%. The movement in the deferred tax (liability)/asset during the year can be analysed as follows:

	2009 £m	2008 £m
At 1 January	(0.5)	(6.1)
Charge to the income statement	(2.3)	(4.1)
Credit on items taken directly to equity	10.6	9.7
Transfer to retained earnings	(0.1)	-
At 31 December	7.7	(0.5)

The tax credit on items taken directly to equity is as follows:

	2009 £m	2008 £m
Current tax credit on cash flow hedges	0.2	4.9
Deferred tax credit on actuarial movements on retirement benefit asset	10.4	4.8
Total tax credit on items taken directly to equity	10.6	9.7

The rate of tax charge on the profit before taxation and exceptional finance cost for the year is in line with (2008: in line with) the average standard rate of corporation tax in the UK of 28.0% (2008: 28.5%). This can be reconciled as follows:

	2009 £m	2008 £m
Profit before taxation and exceptional finance cost	130.1	128.8
Profit before taxation and exceptional finance cost multiplied by the average standard rate of corporation tax in the UK of 28.0% (2008: 28.5%)	(36.4)	(36.7)
Effects of:		
– adjustment in respect of prior years	0.1	0.1
– expenses not deductible for tax purposes	(0.1)	(0.1)
Total tax charge before exceptional finance cost	(36.4)	(36.7)

4. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding own shares held, which are treated, for this purpose, as being cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. For share options and awards, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options and awards. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and awards.

Reconciliations of basic and diluted earnings per share are set out below:

	2009 Earnings £m	2009 Weighted average number of shares m	2009 Per share amount pence	2008 Earnings £m	2008 Weighted average number of shares m	2008 Per share amount pence
Earnings per share						
Shares in issue during the year		133.1			131.3	
Own shares held		(1.9)			(1.4)	
Basic earnings per share	88.6	131.2	67.5	92.1	129.9	70.9
Dilutive effect of share options and awards	-	0.4	(0.2)	-	0.7	(0.4)
Diluted earnings per share	88.6	131.6	67.3	92.1	130.6	70.5

The directors have elected to show an adjusted earnings per share prior to the exceptional finance cost incurred on the issue of the senior bonds on 23 October 2009 (see note 2). This is presented to show the earnings per share generated by the group's underlying operations. A reconciliation of basic and diluted earnings per share to adjusted basic and diluted earnings per share is as follows:

	2009 Earnings £m	2009 Weighted average number of shares m	2009 Per share amount pence	2008 Earnings £m	2008 Weighted average number of shares m	2008 Per share amount pence
Basic earnings per share	88.6	131.2	67.5	92.1	129.9	70.9
Exceptional finance cost including tax charge	5.1	-	3.9	-	-	-
Adjusted basic earnings per share	93.7	131.2	71.4	92.1	129.9	70.9
Diluted earnings per share	88.6	131.6	67.3	92.1	130.6	70.5
Exceptional finance cost including tax charge	5.1	-	3.9	-	-	-
Adjusted diluted earnings per share	93.7	131.6	71.2	92.1	130.6	70.5

5. Dividends

		2009 £m	2008 £m
2007 final	- 38.1p per share	-	50.0
2008 interim	- 25.4p per share	-	33.4
2008 final	- 38.1p per share	50.6	-
2009 interim	- 25.4p per share	33.5	-
Dividends paid		84.1	83.4

The directors are recommending a final dividend in respect of the financial year ended 31 December 2009 of 38.1p per share (2008: 38.1p) which will amount to a dividend payment of £51.2m (2008: £50.6m). If approved by the shareholders at the annual general meeting on 5 May 2010, this dividend will be paid on 21 June 2010 to shareholders who are on the register of members at 14 May 2010. This dividend is not reflected in the balance sheet as at 31 December 2009 as it is subject to shareholder approval.

6. Amounts receivable from customers

	2009 £m	2008 £m
Consumer Credit Division	883.8	852.1
Vanquis Bank	255.5	205.4
Yes Car Credit	-	5.8
Total group	1,139.3	1,063.3
Analysed as:		
– due within one year	1,052.4	979.6
– due in more than one year	86.9	83.7
Total group	1,139.3	1,063.3

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

	2009 £m	2008 £m
Consumer Credit Division	223.4	197.9
Vanquis Bank	61.7	38.2
Yes Car Credit	(1.7)	1.6
Total group	283.4	237.7

Impairment in Vanquis Bank is deducted from the carrying value of amounts receivable from customers by the use of an allowance account. The Vanquis Bank allowance account as at 31 December 2009 amounted to £40.0m (2008: £26.4m). Within the Consumer Credit Division and Yes Car Credit, impairments are deducted directly from amounts receivable from customers without the use of an allowance account.

7. Retirement benefit asset

The group operates a defined benefit scheme: the Provident Financial Staff Pension Scheme. The scheme covers 63% of employees with company-provided pension arrangements and is of the funded, defined benefit type providing retirement benefits based on final salary. Following a full group review of pension scheme arrangements, from 1 April 2006 members were provided with a choice of paying higher member contributions to continue accruing benefits based on final salary or paying a lower member contribution and accruing benefits based on a percentage of salary which would be revalued each year.

The most recent actuarial valuation of scheme assets and the present value of the defined benefit obligation was carried out as at 1 June 2006 by a qualified independent actuary. A valuation as at 1 June 2009 is currently in progress but is not yet finalised. The valuation used for the purposes of IAS 19 'Employee benefits' has been based on the preliminary results of the 2009 valuation updated by the actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at the balance sheet date. Scheme assets are stated at fair value as at the balance sheet date.

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

	2009 £m	2008 £m
Equities	217.4	177.7
Corporate bonds	154.3	121.2
Fixed interest gilts	37.3	38.2
Index-linked gilts	55.0	51.0
Cash and money market funds	0.6	22.6
Fair value of scheme assets	464.6	410.7
Present value of funded defined benefit obligations	(444.7)	(359.8)
Net retirement benefit asset recognised in the balance sheet	19.9	50.9

The amounts recognised in the income statement are as follows:

	2009 £m	2008 £m
Current service cost	(5.1)	(5.7)
Past service cost	(0.1)	-
Interest cost	(22.4)	(22.9)
Expected return on scheme assets	24.9	29.8
Net (charge)/credit recognised in the income statement	(2.7)	1.2

The net (charge)/credit recognised in the income statement has been included within administrative expenses.

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

	2009 £m	2008 £m
Fair value of scheme assets at 1 January	410.7	465.7
Expected return on scheme assets	24.9	29.8
Actuarial movement on scheme assets	29.9	(78.9)
Contributions paid by the group	8.4	5.3
Section 75 contribution on disposal of subsidiary undertaking (note 8)	0.6	-
Contributions paid by scheme participants	0.6	2.5
Net benefits paid out	(10.5)	(13.7)
Fair value of scheme assets at 31 December	464.6	410.7

7. Retirement benefit asset (continued)

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

	2009 £m	2008 £m
Defined benefit obligation at 1 January	(359.8)	(404.2)
Current service cost	(5.1)	(5.7)
Past service cost	(0.1)	-
Interest cost	(22.4)	(22.9)
Contributions paid by scheme participants	(0.6)	(2.5)
Actuarial movement on scheme liabilities	(67.2)	61.8
Net benefits paid out	10.5	13.7
Defined benefit obligation at 31 December	(444.7)	(359.8)

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

		2009 %	2008 %
Price inflation		3.60	2.90
Rate of increase in pensionable salaries		4.60	4.20
Rate of increase to pensions in payment		3.60	2.90
Discount rate		5.60	6.30
Long term rate of return	– equities	8.05	8.15
	– bonds	5.60	6.00
	– fixed interest gilts	4.40	3.80
	– index-linked gilts	4.40	3.80
	– cash and money market funds	4.50	3.80
	– overall (weighted average)	6.50	6.33

The mortality assumptions used in the valuation of the group's defined benefit pension scheme as at 31 December 2009 are based on the mortality experience of self-administered pension schemes and allow for future improvements in life expectancy.

The group uses the S1PA standard tables as the basis for projecting mortality adjusted for the following factors:

- A 5% upwards adjustment to mortality rates for males and a 15% upwards adjustment for females is made in order to reflect lower life expectancies within the scheme compared to average pension schemes; and
- The projections are combined with the medium cohort improvement factors in order to predict future improvements in life expectancy, subject to an annual minimum rate of improvement of 1%.

In more simple terms, it is assumed that members who retire in the future at age 65 will live on average for a further 23 years if they are male (2008: 22 years) and for a further 25 years if they are female (2008: 25 years). If assumed life expectancies had been one year greater, the net retirement benefit asset would have been reduced by approximately £14m (2008: £10m).

An analysis of amounts recognised in the statement of comprehensive income is set out below:

	2009 £m	2008 £m
Actuarial movements on scheme assets	29.9	(78.9)
Actuarial movements on scheme liabilities	(67.2)	61.8
Actuarial movements recognised in the statement of comprehensive income in the year	(37.3)	(17.1)

8. Disposal of subsidiary undertaking

On 30 January 2009, the group completed the disposal of Cheque Exchange Limited, a small subsidiary undertaking within the Consumer Credit Division involved in cheque cashing and money transfer, to Hertford International Group plc for a total consideration of £3.0m less the value of the Section 75 pension contribution made into the group's defined benefit pension scheme. There was no gain or loss on disposal as follows:

	£m
Cash consideration	0.7
Section 75 pension contribution	0.4
Deferred consideration	1.9
Total consideration	3.0
Net liabilities on disposal	0.1
Goodwill written off	(3.1)
Profit/(loss) on disposal	-

The Section 75 pension contribution represented a payment by Cheque Exchange Limited of £0.6m, less tax relief of £0.2m, into the group's defined benefit pension scheme as a reduction in the total consideration received (see note 7).

The deferred consideration of £1.9m comprised £1.4m payable on 31 July 2009 with the remaining £0.5m due in equal instalments on 31 January 2010 and 31 January 2011. The group held a legal charge over the ordinary shares in Cheque Exchange Limited in the event of non-payment of the amount due on 31 July 2009.

Following non-payment of the first instalment of the deferred consideration, the group exercised its charge over the ordinary shares and regained control of Cheque Exchange Limited on 1 November 2009. The goodwill arising on reacquisition can be analysed as follows:

	£m
Deferred consideration foregone	1.9
Fair value of net liabilities acquired	0.2
Goodwill on reacquisition	2.1

The trading results and cashflows of Cheque Exchange Limited prior to its disposal and following its reacquisition are not material to the group.

9. Reconciliation of profit after taxation to cash generated from operations

	2009 £m	2008 £m
Profit after taxation	88.6	92.1
Adjusted for:		
– tax charge (note 3)	37.1	36.7
– finance costs	58.2	45.7
– share-based payment charge	6.1	4.7
– retirement benefit charge/(credit) (note 7)	2.7	(1.2)
– amortisation of intangible assets	3.8	1.7
– depreciation of property, plant and equipment	8.2	7.5
– loss on disposal of property, plant and equipment	0.3	0.3
Changes in operating assets and liabilities:		
– amounts receivable from customers	(76.0)	(137.9)
– trade and other receivables	(10.1)	3.6
– trade and other payables	(17.0)	(6.5)
– retirement benefit asset	(8.4)	(5.3)
– derivative financial instruments	0.4	0.3
– provisions	(1.2)	(0.8)
Cash generated from operations	92.7	40.9

Information for shareholders

1. The shares will be marked ex-dividend on 12 May 2010.

2. The final dividend will be paid on 21 June 2010 to shareholders on the register at the close of business on 14 May 2010. Dividend warrants/vouchers will be posted on 18 June 2010.

3. The 2009 annual report and financial statements together with the notice of the annual general meeting will be posted to shareholders on or around 26 March 2010.

4. The annual general meeting will be held on 5 May 2010 at the Marriot Hollins Hall Hotel and Country Club, Hollins Hill, Baildon, Shipley, West Yorkshire, BD17 7QW.