PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

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 8. The profit for the year of £72.1m (2015: £61.8m) has been added to reserves.

Dividends
During the year ended 31 December 2016, the directors paid an interim dividend on the ordinary shares of the company of £55.0m (2015: £75.0m), which has been deducted from reserves. The directors do not recommend a final dividend (2015: £nil).

The directors have declared and paid the 5.165% dividend on the preference shares issued in 2002 of £9,130 (2015: £9,130) and the 5.84% dividend on the preference shares issued in 2004 of £7,313 (2015: £7,313).

Directors
The directors of the company during the year ended 31 December 2016, all of whom were directors for the whole year then ended and to the date of this report, except where stated, were:

M Stevens	Chairman
T R Anson	
L D Enock	
S A F Lawrence	
P A McLelland	
A J Parkinson	
S W Sinclair	
J H Vardon	(Appointed 22 February 2016)

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 page 19.

Employee involvement

The company is committed to employee involvement. Employees are kept well informed of the financial and operational performance and strategy of the Consumer Credit Division ('CCD') through weekly huddles, personal briefings and through an increasing use of modern technology. The company continues to use social network sites, intranet discussion boards and blogs by employees and the managing director. There is also a regular podcast, 'The Big Conversation', featuring members of the CCD Board where information is imparted concerning current performance and long-term planning which is accessible to all CCD employees. The company consults with employees regularly, including through employee forums, trade unions and employee surveys, so that their views can be taken into account when making decisions that are likely to affect their interests. During 2016 CCD created a new Colleague Forum called the Colleague Voice. This Forum's aim is to provide an improved platform to enable more views and opinions to be heard. The Colleague Voice plans to work with leaders in the business to improve the communication of decisions that create long-term growth for CCD and support the delivery of the division's strategic priorities. The company also provides a wellbeing programme designed to promote physical and mental health. CCD has a gym in their head office facility. The group also has a number of community programmes in place. Employees are also able to share in the group's results through various share schemes.

Equal opportunities

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of gender, pregnancy, race, colour, nationality, ethnic or national origin, disability, sexual orientation, age, marital or civil partner status, gender reassignment, or religion or belief. The 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. The group have recently signed up to the National Equality Standard, and is undertaking a full review of its policies and procedures in relation to equality, diversity and inclusion (EDI). The National Equality Standard is a recognised national standard for EDI in the UK and an assessment of current practices is being undertaken against best practice EDI standards.

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

EVersluys

E G Versluys
Company Secretary
Bradford
8 March 2017

PROVIDENT PERSONAL CREDIT LIMITED
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STRATEGIC REPORT

The performance in the year reflects the good progress in executing the company's strategic plan to develop a broader based lending business. The repositioned Provident home credit business is delivering strong returns and has supported the continued investment in developing the Satsuma online loans proposition. Profit before tax has increased from £76.4m in 2015 to £88.5m in 2016 (an increase of 15.8%), reflecting a reduction in the start-up losses of Satsuma of approximately £12m. The strategic development of the company continues to drive improved returns with the return on assets (profit before interest and after tax as a percentage of average receivables) increasing to 17.4% in 2016, up from 15.8% in 2015. The exceptional cost in 2015 of £10.6m related to redundancy costs associated with 470 employees following a business restructuring within the company and the ongoing deployment of technology.

Customer numbers in home credit have remained stable during the second half of 2016 and the majority of the year on year reduction of 10.4% to 802,000 (2015: 895,000) took place in the first half of the year. The reduction on 2015 reflects the tighter credit standards introduced as part of the repositioning of the business in September 2013 which have continued to curtail the recruitment of more marginal customers and improve overall credit quality.

Demand and customer confidence have remained robust and when combined with the focus on serving good-quality existing customers has resulted in a 9.4% year-on-year improvement in home credit sales during 2016. As a result, home credit receivables of £560.0m ended the year 6.2% higher than December 2015.

Good progress has been made during 2016 in developing the distribution, digital platform and further lending capability in Satsuma in order to develop a sustainable business both in the competitive online small-sum, short-term credit market and into lending larger amounts of over £1,000 and beyond a year in duration. Satsuma has continued to develop its multi-channel distribution capability, focusing on recruiting new customers through more cost effective channels such as digital, social media and the broker channels rather than through the more expensive above the line advertising used in 2015.

Satsuma's trading performance in 2016 also reflects the significant tightening of credit standards implemented in the fourth quarter of 2015 and developed further in 2016. Whilst growth during the first nine months of the year was relatively modest, the business has been developing a number of improvements to the customer journey and its product proposition, including the introduction of a monthly product in November. As a result, the business achieved a 50% year-on-year increase in sales during the fourth quarter. The current development trajectory of Satsuma is encouraging and customer numbers and receivables ended 2016 at 55,000 (2015: 49,000) and £18.2m (2015: £12.1m) respectively.

A decision was made to close the company's guarantor loans business, glo, to new business in October 2016. This decision reflected the longer than envisaged timescale in the company obtaining Financial Conduct Authority (FCA) authorisation which had delayed the transfer of glo to fellow group subsidiary undertaking, Vanquis Bank Limited, together with Vanquis Bank Limited being at an advanced stage of developing its own loans platform to provide a wider unsecured loans proposition. As a result, the glo receivables book has been placed into run-off; as at 31 December 2016, the run-off of glo had 5,000 customers (2015: 4,000) and a receivables book of £6.6m (2015: £10.8m). The costs of run-off in 2017 are not expected to be material.

Revenue increased by 0.3% to £517.1m (2015: £515.3m) consistent with the year-on-year increase in average receivables of 1.7%. The revenue yield (revenue as a percentage of average receivables) in 2016 of 101.7% has reduced modestly from 103.1% in 2015. The reduction reflects the continued focus on serving good quality customers who tend to be served with longer term, lower yielding products.

Finance costs in 2016 of £36.2m were 2.9% lower than last year compared with a 1.7% increase in average receivables. This reflects a marginal reduction in the funding rate for the company from 6.8% in 2015 to 6.6% in 2016 due to a reduction in group borrowing costs.

The benefit of standardised arrears and collections processes coupled with continued tight credit standards have resulted in stable collections performance and arrears profile in 2016. This compares with the strong improvements in both these metrics during 2015 which benefited the impairment charge last year. Impairment of amounts receivable from customers increased by 17.6% to £125.4m (2015: £106.6m); consequently, the ratio of impairment to revenue increased from 20.7% for 2015 to 24.3% for 2016.

The modest reduction in revenue yield together with the stable delinquency performance compared with the strong improvements seen in 2015 has produced a risk-adjusted margin of 77.0% in 2016, lower than 81.7% in 2015. Risk-adjusted margin is calculated as revenue less impairment as a percentage of average receivables.

Business performance continues to benefit from the successful completion during 2015 of the programme to deploy technology throughout the home credit field operation to support an improvement in productivity and enhance compliance. Administrative costs reduced by 8.7% to £184.5m (2015: £202.1m), due to the annualised savings of approximately £14m secured in June 2015 within the field infrastructure.

Business development

The repositioning of the home credit business as a smaller, better-quality business has been successful in maintaining the profitability of the business and increasing returns in a mature market. In particular, the business has successfully deployed hand held technology to the field force, reduced the number of self-employed agents from over 10,000 to 4,500, reduced the field headcount by over 1,000, including the full removal of all field administration, and developed sophisticated central underwriting and data analytics.

The self-employed model for agents has been an effective operating model for the home credit business for a long period of time. However, continually increasing customer service expectations together with the development of hand held technology and enhanced data analytics have led to the conclusion that further developments to the current operating model would deliver a more efficient and effective business. As a result, the business has developed a proposal, which is subject to workforce consultation, to enhance the home credit operating model in three ways: (i) serving customers through full time employed Customer Experience Managers rather than self-employed agents to take direct control of all aspects of the relationship with the customer; (ii) changing the field management structure in the UK, with newly defined roles and ways of working; and (iii) deploying further technology to improve efficiency and effectiveness.

The business is proposing the creation of a number of new roles including over 2,500 fully employed Customer Experience Manager roles which would be tasked with serving customers in a way which is controlled and directed by the business. This means customers would no longer be served by self-employed agents. The proposal will enable the business to manage every aspect of the customer relationship thereby improving the effectiveness of the field organisation and enhancing the customer experience. In addition, the proposed deployment of further technology in 2017 includes route planning and voice recording which provides the business with the opportunity to improve efficiency and provide customers with more choice and flexibility.

Subject to workforce consultation, the business also proposes to change the field management structure in the UK, removing the current Area and Development Manager roles and replacing them with new field roles with different responsibilities which includes separating the collections and arrears elements of the business to maximise efficiency.

A migration to the proposed operating model, which features more centralised control over a distributed workforce and greater evidencing of customers interactions, would also enhance regulatory standards. The proposed operating model is due to be fully operational from July 2017.

STRATEGIC REPORT (CONTINUED)

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 and continues to operate under an interim permission awaiting full authorisation, consistent with other sizable firms operating in the home credit market. The ongoing supervisory framework is more exacting than was previously the case prior to the change in regulation from the OFT to the FCA. In particular, the FCA place a significant focus on affordability, income verification, forbearance and general customer outcomes with the potential for adverse impacts on the company being inherently uncertain.

Going concern
Having considered the cash flow and liquidity requirements of the company and the company's forecasts, the directors expect that the business will continue for the foreseeable future and the company will be able to meet its liabilities as they fall due. Accordingly the financial statements of the company have been prepared on a going concern basis of accounting. Further details on the basis of preparation is provided on page 12.

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 Versluys

E G Versluys
Company Secretary
Bradford
8 March 2017

PROVIDENT PERSONAL CREDIT LIMITED
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STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

BY ORDER OF THE BOARD

EVersluys

E G Versluys
Company Secretary
Bradford
8 March 2017

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

We have audited the financial statements of Provident Personal Credit Limited for the year ended 31 December 2016 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in shareholder's equity, the statement of cash flows, the statement of accounting policies, the financial and capital risk management report and the related notes 1 to 27 of the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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 and the Directors' Report.

Matters on which we are required to report by exception

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

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

S. Cumberbatch.

Stewart Cumberbatch FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom
8 March 2017

PROVIDENT PERSONAL CREDIT LIMITED
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INCOME STATEMENT

For the year ended 31 December	Note	2016 £m	2015 £m
Revenue	1	517.1	515.3
Finance income	2	13.9	14.9
Total income		531.0	530.2
Finance costs	3	(36.2)	(37.3)
Operating costs		(221.8)	(214.4)
Administrative costs		(184.5)	(202.1)
Total costs		(442.5)	(453.8)
Profit before taxation	4	88.5	76.4
Profit before taxation and exceptional costs	4	88.5	87.0
Exceptional costs	4	-	(10.6)
Tax charge	5	(16.4)	(14.6)
Profit for the year attributable to the equity shareholder		72.1	61.8

All of the above operations relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2016 £m	2015 £m
Profit for the year attributable to the equity shareholder		72.1	61.8
Other comprehensive income:			
- fair value movement on cash flow hedges	12	-	(0.3)
- exchange differences on translation of foreign operations		(1.2)	0.7
Other comprehensive income for the year		(1.2)	0.4
Total comprehensive income for the year		70.9	62.2

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BALANCE SHEET

As at 31 December	Note	2016 £m	2015 £m
ASSETS			
Non-current assets			
Property, plant and equipment	9	3.4	3.1
Financial assets:			
- amounts receivable from customers	10	88.8	65.5
Deferred tax assets	15	0.7	-
		92.9	68.6
Current assets			
Financial assets:			
- amounts receivable from customers	10	496.0	484.6
- trade and other receivables	13	204.1	205.9
- cash and cash equivalents	16	16.9	7.2
		717.0	697.7
Total assets		809.9	766.3
LIABILITIES			
Current liabilities			
Financial liabilities:			
- bank and other borrowings	17	-	(0.2)
- derivative financial instruments	12	(0.1)	(0.2)
- trade and other payables	18	(660.8)	(628.9)
Current tax liabilities		(2.4)	(6.6)
		(663.3)	(635.9)
Non-current liabilities			
Financial liabilities			
- preference shares	19	(0.3)	(0.3)
		(0.3)	(0.3)
Total liabilities		(663.6)	(636.2)
NET ASSETS		146.3	130.1
SHAREHOLDER'S EQUITY			
Share capital	20	71.5	71.5
Share premium		1.0	1.0
Other reserves	22	0.3	0.5
Retained earnings		73.5	57.1
TOTAL SHAREHOLDER'S EQUITY		146.3	130.1

The financial statements on pages 8 to 39 were approved by the board of directors on 8 March 2017 and signed on its behalf by:

M Stevens
Director

P A McLelland
Director

PROVIDENT PERSONAL CREDIT LIMITED
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STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2015		71.5	1.0	2.0	68.1	142.6
Profit for the year		-	-	-	61.8	61.8
Other comprehensive income:						
- fair value movement on cash flow hedges	12	-	-	(0.3)	-	(0.3)
- exchange differences on translation of foreign operations		-	-	-	0.7	0.7
Other comprehensive income for the year		-	-	(0.3)	0.7	0.4
Total comprehensive income for the year		-	-	(0.3)	62.5	62.2
Transactions with owners:						
- share-based payment charge	21	-	-	0.3	-	0.3
- transfer of share-based payment reserve		-	-	(1.5)	1.5	-
- dividends	6	-	-	-	(75.0)	(75.0)
At 31 December 2015		71.5	1.0	0.5	57.1	130.1
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

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	2016 £m	2015 £m
Cash flows from operating activities			
Cash generated from operations	26	104.8	114.1
Finance costs paid		(36.2)	(37.3)
Finance income received		13.9	14.9
Tax paid		(16.1)	(15.4)
Net cash generated from operating activities		66.4	76.3
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(1.9)	(1.2)
Proceeds from disposal of property, plant and equipment	9	0.4	0.5
Net cash used in investing activities		(1.5)	(0.7)
Cash flows from financing activities			
Dividends paid to company shareholder	6	(55.0)	(75.0)
Net cash used in financing activities		(55.0)	(75.0)
Net increase in cash, cash equivalents and overdrafts		9.9	0.6
Cash, cash equivalents and overdrafts at beginning of year		7.0	6.4
Cash, cash equivalents and overdrafts at end of year		16.9	7.0
Cash, cash equivalents and overdrafts at end of year comprise:			
Cash at bank and in hand	16	16.9	7.2
Overdrafts (held in bank and other borrowings)	17	-	(0.2)
Total cash, cash equivalents and overdrafts		16.9	7.0

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'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 2016 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 2016 and not early adopted:

IFRS 9 'Financial instruments' is effective from 1 January 2018 and replaces IAS 39 'Financial instruments: Recognition and measurement'. IFRS 9 significantly changes the recognition of impairment on customer receivables with the standard introducing an expected loss model. Under this approach, impairment provisions are recognised on inception of a loan based on the typical average loss incurred on a loan. This differs from the current incurred loss model under IAS 39 whereby 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 in the income statement. This will result in a one-off adjustment to receivables and reserves on adoption and will result in a slower build in profits in growing businesses.

The company has been assessing the potential impact of IFRS 9 for the last 18 months. This includes participation in the group steering committee and the production of a formal timetable for implementation. It also includes working closely with the company's external auditor, Deloitte, to interpret the standard and ascertain emerging industry and best practice. However, whilst good progress has been made on quantifying the potential impact of IFRS 9 there are still a number of technical interpretations of the standard which need to be clarified in order to provide an accurate impact analysis.

Despite the magnitude of the changes to receivables and net assets, it is extremely 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 from 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 between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard requires the recognition of a lease liability, being the present value of the lease payments, and a right-to-use asset which will initially be recognised at the same value of the lease liability. The group and company are in the process of assessing the impact of the standard and will adopt from the expected effective date of 1 January 2019, subject to endorsement by the EU.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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.

Amounts receivable from customers (continued)
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.

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.

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

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

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

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

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

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

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

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

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

Leases
Leases in which 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.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Dividends
Dividend distributions to the company's shareholder are recognised in the financial statements as follows:

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

Interim dividend: when paid by the company.

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

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

Cash contributions to defined contribution pension schemes are charged to the 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 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.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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

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

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.

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

To the extent that the net present value of estimated future cash flows differs by +/- 1%, it is estimated that the amounts receivable from customers would be approximately £5.8m (2015: £5.5m) higher/lower.

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 2016 is the carrying value of amounts receivable from customers of £584.8m (2015: £550.1m).

During the period the Consumer Credit Division ('CCD') managed credit risk through the CCD credit risk management committee, meeting monthly and with responsibility for the effective management and control of credit risk.

Credit risk is managed using a combination of lending policy criteria, credit scoring (including behavioural scoring), policy rules, individual lending approval limits, central underwriting, affordability assessment processes, 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 around £550. The loans are underwritten in the home by an agent with emphasis placed on any previous lending experience with the customer and the agent's assessment of the credit risk based on a completed application form and the home visit. Once a loan has been made, the agent visits the customer weekly, to collect the weekly payment. The agent is well placed to identify signs of strain on a customer's income and can moderate lending accordingly. Equally, the regular contact and professional relationship that the agent has with the customer allows them to manage customers' repayments effectively even when the household budget is tight. This can be in the form of taking part-payments, allowing missed payments or other payment arrangements in order to support customers with their repayments.

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

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

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 £400. 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.

The loans offered by the monthly glo business are larger, longer loans with a contractual period of between one and five years and an average value of £3,000. The loans are underwritten through a bespoke credit scoring engine using a range of data sources including use of external credit bureau data. An affordability assessment is performed on both the borrower and the guarantor.

glo collections processes are undertaken utilising the collections capabilities at Vanquis Bank. Immediate contact is made with customers who miss payments, and the guarantor is informed; every effort is made to collect from the borrower, including multiple forbearance methods, before the guarantor is required to make payment.

(ii) Counterparty risk

The company's maximum exposure to credit risk on bank counterparties as at 31 December 2016 was £2.2m (2015: £1.5m).

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 2016, the group's committed borrowing facilities had a weighted average period to maturity of 2.5 years (2015: 2.6 years) and the headroom on these committed facilities amounted to £110.2m (2015: £222.3m). On 31 January 2017, the group entered into a new syndicated bank facility of £450m maturing in May 2020 and cancelled the existing facility of £382.5m which was due to expire in May 2018. Given that the group manages liquidity risk through the centralised treasury function, the borrowings maturity profile and undrawn facilities of the group is disclosed in the annual report and financial statements of Provident Financial plc.

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.

FINANCIAL AND CAPITAL RISK MANAGEMENT REPORT (CONTINUED)

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.

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 2016 and 2015 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 2016 arose from: (i) 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; and (ii) the available for sale investment held by Vanquis Bank in respect of Visa Europe Limited, up until Visa Inc.'s acquisition of Visa Europe on 21 June 2016, and then Visa Inc. following the acquisition. Prior to completion of the acquisition, the available for sale investment comprised expected upfront euro cash consideration, which was hedged through matching the cash consideration with euro-denominated borrowings, together with deferred consideration of preferred stock which was convertible into US dollar denominated Class A common stock of Visa Inc. on completion of the transaction. Due to the inherent uncertainty of the valuation and timing of completion, the valuation of the common stock was not hedged. Following completion of the acquisition, the US dollar denominated Class A common stock of Visa Inc. and an element of euro-denominated deferred cash consideration have not been hedged due to the inherent uncertainty of the valuation and timing of any cash flows.

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 2016, a 2% movement in the sterling to euro exchange rate would have led to a £1.2m (2015: £1.1m) movement in customer receivables with an opposite movement of £1.2m (2015: £1.1m) 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 (2015: £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 aims to maintain sufficient, but not excessive, financial strength, optimise the debt to equity structure of the company and support dividend payments to the parent. This takes into account the requirements of a variety of different stakeholders including shareholders, policyholders, regulators and rating agencies. A more detailed explanation of the management of capital risk can be found in the annual report and financial statements of Provident Financial plc.

PROVIDENT PERSONAL CREDIT LIMITED
(Company Number 146091)

NOTES TO THE FINANCIAL STATEMENTS

1 Revenue

	2016 £m	2015 £m
Interest income	517.1	515.3

2 Finance income

	2016 £m	2015 £m
Interest receivable from parent undertaking	13.9	14.9

3 Finance costs

	2016 £m	2015 £m
Interest payable to ultimate parent undertaking	36.2	37.3

The preference dividends paid in the year in respect of the preference shares issued in 2002 (coupon rate 5.165%) and 2004 (coupon rate 5.84%) were 0.05p (2015: 0.05p) and 0.06p (2015: 0.06p) per share respectively. The total annual preference dividend cost was £16,443 (2015: £16,443).

4 Profit before taxation

	2016 £m	2015 £m
Profit before taxation is stated after charging:		
Depreciation of property, plant and equipment (note 9)	1.2	1.0
Operating lease rentals:		
- property	0.3	0.7
Employment costs (prior to exceptional redundancy costs (note 8(b))	48.5	54.7
Exceptional redundancy costs (note 8(b))	-	10.6
Impairment of amounts receivable from customers (note 10)	125.4	106.6

The exceptional cost in 2015 of £10.6m related to redundancy costs associated with 470 employees following a business restructuring within the company and the ongoing deployment of technology.

Auditor's remuneration payable to Deloitte LLP in respect of the audit of the company's financial statements is £90,000 (2015: £66,000). Auditor's remuneration to Deloitte LLP in respect of other services was £14,000 (2015: £13,000).

5 Tax charge

Tax charge in the income statement	2016 £m	2015 £m
Current tax		
- UK	(16.5)	(13.4)
- Overseas	(0.6)	(0.7)
Deferred tax credit/(charge) (note 15)	0.8	(0.5)
Impact of change in UK tax rate	(0.1)	-
Total tax credit/(charge)	(16.4)	(14.6)

During 2015, reductions in corporation tax rates were enacted, reducing the corporation tax rate from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effect from 1 April 2020. During 2016, a further change was enacted which further reduced the corporation tax rate from 18% to 17% with effect from 1 April 2020. As the temporary differences on which deferred tax is calculated as at 31 December 2016 are expected to largely reverse after 1 April 2020 (2015: 1 April 2020), deferred tax at 31 December 2016 has been re-measured at 17% (2015: 18%). In 2016, movements in the deferred tax balances have been measured at the statutory corporation tax rate for the year of 20.0% (2015: 20.25%). A tax charge in 2016 of £0.1m (2015: £nil) represents the income statement adjustment to deferred tax as a result of these changes.

The rate of tax charge on the profit before taxation for the year is lower than (2015: lower than) the average standard rate of corporation tax in the UK of 20% (2015: 20.25%). This can be reconciled as follows:

	2016 £m	2015 £m
Profit before taxation	88.5	76.4
Profit before taxation multiplied by the average standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(17.7)	(15.5)
Effect of:		
- adjustment in respect of prior years	1.1	-
- impact of change in UK tax rate	(0.1)	-
- impact of permanent differences	(0.1)	(0.1)
- impact of non-taxable income	-	0.5
- benefit of lower rates overseas	0.4	0.5
Total tax charge	(16.4)	(14.6)

The £1.1m tax credit (2015: £nil) 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

	2016 £m	2015 £m
2015 interim - 26.2p per share	-	75.0
2016 interim - 19.2p per share	55.0	-
Dividends paid	55.0	75.0

7 Directors' remuneration

The emoluments of the directors are paid by the parent company, Provident Financial Management Services Limited, and recharged to the company as part of a management charge. This management charge also includes a recharge of administrative costs borne by the parent company on behalf of the company and it is not possible to identify separately the amount relating to each director's emoluments. The emoluments of these directors are disclosed in the financial statements of Provident Financial Management Services Limited.

During the year, no directors exercised share awards under share incentive schemes (2015: two).

8 Employee information

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

	2016 Number	2015 Number
Administrative	34	219
Operations	939	1,050
Total	973	1,269
Analysed as:		
Full time	951	1,162
Part time	22	107
Total	973	1,269

(b) Employment costs

	2016 £m	2015 £m
Aggregate gross wages and salaries paid to the company's employees	35.2	40.4
Employer's National Insurance contributions	3.8	4.4
Pension charge (note 14)	9.2	9.6
Share-based payment charge (note 21)	0.3	0.3
Total employment costs prior to exceptional redundancy costs	48.5	54.7
Exceptional redundancy costs (note 4)	-	10.6
Total employment costs	48.5	65.3

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 2016 £m	Equipment and vehicles 2015 £m
Cost		
At 1 January	7.4	7.4
Additions	1.9	1.2
Disposals	(1.3)	(1.2)
At 31 December	8.0	7.4
Accumulated depreciation		
At 1 January	4.3	4.0
Charged to the income statement	1.2	1.0
Disposals	(0.9)	(0.7)
At 31 December	4.6	4.3
Net book value at 31 December	3.4	3.1
Net book value at 1 January	3.1	3.4

The profit on disposal of property, plant and equipment in 2016 amounted to £nil (2015: £nil) and represented proceeds received of £0.4m (2015: £0.5m) less the net book value of disposals of £0.4m (2015: £0.5m).

10 Amounts receivable from customers

	2016			2015		
	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	496.0	88.8	584.8	484.6	65.5	550.1

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 2016 was 118% (2015: 114%).

The average period to maturity of the amounts receivable from customers is 6.7 months (2015: 6.3 months).

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

Credit quality of amounts receivable from customers	2016 £m	2015 £m
Neither past due nor impaired	323.1	282.5
Past due but not impaired	63.9	58.6
Impaired	197.8	209.0
Total	584.8	550.1

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	2016 £m	2015 £m
One week overdue	46.1	41.5
Two weeks overdue	10.4	10.0
Three weeks or more overdue	7.4	7.1
Past due but not impaired	63.9	58.6

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

An impairment charge of £125.4m (2015: £106.6m) in respect of amounts receivable from customers is reflected within the operating costs for the year.

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

Currency profile of amounts receivable from customers	2016 £m	2015 £m
Sterling	526.0	495.0
Euro	58.8	55.1
Total	584.8	550.1

The fair value of amounts receivable from customers is approximately £0.9 billion (2015: £0.8 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.

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:

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 asset	-	-	-	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)

2015	Loans and receivables £m	Amortised cost £m	Hedging derivatives £m	Non-financial assets/ liabilities £m	Total £m
Assets					
Cash and cash equivalents	7.2	-	-	-	7.2
Amounts receivable from customers	550.1	-	-	-	550.1
Trade and other receivables	205.9	-	-	-	205.9
Property, plant and equipment	-	-	-	3.1	3.1
Total assets	763.2	-	-	3.1	766.3
Liabilities					
Bank and other borrowings	-	(0.2)	-	-	(0.2)
Trade and other payables	-	(628.9)	-	-	(628.9)
Derivative financial instruments	-	-	(0.2)	-	(0.2)
Current tax liabilities	-	-	-	(6.6)	(6.6)
Preference shares	-	-	-	(0.3)	(0.3)
Total liabilities	-	(629.1)	(0.2)	(6.9)	(636.2)

12 Derivative financial instruments

The company uses foreign exchange contracts in order to manage the foreign exchange rate risk arising from the company's operations in the Republic of Ireland. The company does not enter into speculative transactions or positions. A liability of £0.1m is held in the company balance sheet as at 31 December 2016 in respect of foreign exchange contracts (2015: £0.2m).

The company's foreign exchange contracts comprise forward foreign exchange contracts to buy sterling for a total notional amount of £7.6m (2015: £9.0m). These contracts have a range of maturity dates from 17 January 2017 to 12 December 2017 (2015: 18 January 2016 to 13 December 2016). These contracts were designated and were effective under IAS 39 as cash flow hedges in the year and, accordingly, the movement in fair value of £nil has been charged to the hedging reserve within equity (2015: £0.3m).

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

13 Trade and other receivables

Current assets	2016 £m	2015 £m
Other receivables	3.3	1.2
Amounts owed by parent undertaking	200.0	200.0
Prepayments and accrued income	0.8	4.7
Total	204.1	205.9

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 (2015: £nil).

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

14 Retirement benefits

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

(a) Pension schemes - defined benefit
In order to provide its employees with a defined benefit pension, the company participates in the Provident Financial Staff Pension Scheme. This scheme has been substantially closed to new members since 1 January 2003.

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

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

The scheme 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 2016 these contributions amounted to £7.9m (2015: £8.3m). The expected contributions to the defined benefit pension scheme in the year ending 31 December 2017 are approximately £7.9m. If the plan was wound up any surplus or deficit would be allocated based on the scheme rules.

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 2016, 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
		2016		2015
	£m	%	£m	%
Equities	83.1	10	74.7	11
Other diversified return seeking investments	73.9	9	67.5	10
Corporate bonds	141.2	17	133.0	20
Fixed interest gilts	193.0	23	208.3	31
Index-linked gilts	337.4	41	181.7	28
Cash and money market funds	1.5	-	1.2	-
Total fair value of scheme assets	830.1	100	666.4	100
Present value of funded defined benefit obligations	(757.7)		(604.1)	
Net retirement benefit asset recognised in the balance sheet	72.4		62.3	

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

		Group
	2016	2015
	£m	£m
Fair value of scheme assets at 1 January	666.4	700.1
Interest on scheme assets	24.8	25.7
Actuarial movement on scheme assets	153.7	(52.4)
Contributions by the group	11.7	12.2
Net benefits paid out	(26.5)	(19.2)
Fair value of scheme assets at 31 December	830.1	666.4

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

		Group
	2016	2015
	£m	£m
Present value of the defined benefit obligation at 1 January	(604.1)	(644.1)
Current service cost	(4.0)	(5.0)
Interest on scheme liabilities	(22.3)	(23.5)
Exceptional curtailment credit	-	2.6
Actuarial movement on scheme liabilities	(153.8)	46.7
Net benefits paid out	26.5	19.2
Present value of defined benefit obligation at 31 December	(757.7)	(604.1)

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

		Group
	2016	2015
	%	%
Price inflation - RPI	3.25	3.00
Price inflation - CPI	2.15	2.00
Rate of increase to pensions in payment	3.00	2.80
Inflationary increase to pensions in deferment	2.15	2.00
Discount rate	2.55	3.75

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	
	2016	2015
	£m	£m
Discount rate decreased by 0.1%	15	11
Inflation increased by 0.1%	7	5
Life expectancy increased by 1 year	30	18

(b) Pension schemes - defined contribution

The group operates a stakeholder pension plan into which the company contributes a proportion of pensionable earnings of the member (typically ranging between 5.1% and 10.6%) dependent on the proportion of pensionable earnings contributed by the member through a salary sacrifice arrangement (typically ranging between 3.0% and 8.0%). The pension charge in the company's income statement of £9.2m (2015: £9.6m) represents contributions payable by the company in respect of the plan and amounted to £1.3m for the year ended 31 December 2016 (2015: £1.3m). No contributions were payable to the fund at the year end (2015: £nil).

The company made no contributions to personal pension plans in the year (2015: £nil).

15 Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method. During 2015, reductions in corporation tax rates were enacted, reducing the corporation tax rate from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effect from 1 April 2020. 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 2016 have been measured at 17% (2015: 18%) on the basis that the temporary differences on which the deferred tax has been calculated are expected to reverse after 1 April 2020 (2015: 1 April 2020). In 2016, movements in the deferred tax balances have been measured at the statutory corporation tax rate for the year of 20.0% (2015: 20.25%). A tax charge in 2016 of £0.1m (2015: £nil) 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:

	2016	2015
Asset	£m	£m
At 1 January	-	0.5
Credit/(charge) to the income statement (note 5)	0.8	(0.5)
Impact of change in UK tax rate		
- credit/(charge) to the income statement	(0.1)	-
At 31 December	0.7	-

15 Deferred tax (continued)

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

	2016			2015		
	Accelerated capital allowances £m	Other temporary differences £m	Total £m	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 1 January	0.4	(0.4)	-	0.4	0.1	0.5
Credit/(charge) to the income statement	-	0.8	0.8	-	(0.5)	(0.5)
Impact of change in UK tax rate - credit/(charge) to the income statement	-	(0.1)	(0.1)	-	-	-
At 31 December	0.4	0.3	0.7	0.4	(0.4)	-

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

	2016 £m	2015 £m
Cash at bank and in hand	16.9	7.2

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

Currency	2016 £m	2015 £m
Sterling	15.6	7.1
Euro	1.3	0.1
Total	16.9	7.2

17 Bank and other borrowings

Borrowing facilities principally comprise overdrafts which are repayable on demand.

As at 31 December 2016, borrowings amounted to £nil (2015: £0.2m).

The company, together with Provident Financial plc, are permitted borrowers under the bank syndicated facility. As at 31 December 2016, the company had no outstanding borrowings under this facility.

The syndicated bank facility of the group as at 31 December 2016 comprised £382.5m maturing in May 2018. Headroom on this committed facility was £110.2m as at 31 December 2016 (2015: £222.3m). The weighted average period to maturity of this committed facility was 1.4 years (2015: 2.4 years). On 31 January 2017, the group entered into a new syndicated bank facility of £450m maturing in May 2020 and cancelled the existing facility of £382.5m which was due to expire in May 2018. Given that the group manages liquidity risk through the centralised treasury function, the borrowings maturity profile and undrawn facilities of the group is disclosed in the annual report of Provident Financial plc.

18 Trade and other trade payables

Current liabilities	2016 £m	2015 £m
Trade payables	-	0.1
Amounts owed to ultimate parent undertaking	617.6	585.1
Amounts owed to parent undertaking	32.7	32.1
Amounts owed to fellow subsidiary undertaking	2.7	-
Other payables including taxation and social security	2.0	2.6
Accruals	5.8	9.0
Total	660.8	628.9

The fair value of trade and other payables equates to their book value (2015: fair value equated to book value). The amounts owed to ultimate parent and parent undertakings are unsecured, due for repayment in less than one year and generally accrue interest at rates linked to LIBOR.

19 Preference shares

Non-current liabilities	2016 £m	2015 £m
Preference shares	0.3	0.3

		2016		2015	
		Authorised	Issued and fully paid	Authorised	Issued and fully paid
Preference shares of 1p each	**- £m**	0.3	0.3	0.3	0.3
	- number (m)	30.2	30.2	30.2	30.2

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

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

20 Share capital

		2016		2015	
		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 (2015: 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. In 2015 Provident Financial plc introduced a cash-settled share incentive scheme, the Provident Financial Equity Plan (PFEP) for eligible employees based on a percentage of salary. The group also previously operated senior executive share option schemes (ESOS/SESO), although no options have been granted under these schemes since 2006.

During 2016, options have been granted under the SAYE scheme only (2015: options granted under the SAYE scheme only).

(a) Equity-settled schemes

The charge to the income statement during the year was £0.3m (2015: £0.3m) for equity-settled schemes.

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

	2016	2015
	SAYE	SAYE
Grant date	28-Sep-16	18-Sep-15
Share price at grant date (£)	29.30	30.90
Exercise price (£)	24.06	21.58
Shares awarded/under option (number)	49,816	64,167
Vesting period (years)	3 and 5	3 and 5
Expected volatility	25.4% to 27.2%	20.8% to 22.7%
Option life (years)	3 and 5	3 and 5
Expected life (years)	3 and 5	3 and 5
Risk-free rate	0.42% to 0.47%	1.21% to 1.53%
Expected dividends expressed as a dividend yield	3.00%	3.00%
Fair value per award/option (£)	6.21 to 6.28	6.57 to 7.41

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:

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	14.87
Exercisable at 31 December	4,175	8.63

2015	SAYE Number	SAYE Weighted average exercise price £
Outstanding at 1 January	437,007	11.69
Granted	64,167	21.58
Lapsed	(63,555)	13.63
Exercised	(145,761)	9.66
Transferred	(43,578)	-
Outstanding at 31 December	248,280	14.87
Exercisable at 31 December	8,727	8.63

Share options outstanding under the SAYE schemes at 31 December 2016 had exercise prices ranging from 662p to 2,406p (2015: 656p to 2,158p) and a weighted average remaining contractual life of 1.0 years (2015: 1.8 years).

The transfer of options in 2016 and 2015 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 charge to the income statement in 2016 was £21,000 (2015: £3,000) and the company has a liability of £24,000 as at 31 December 2016 (2015: £3,000).

22 Other reserves

	Share-based payment reserve £m	Hedging reserve £m	Total other reserves £m
At 1 January 2015	1.9	0.1	2.0
Other comprehensive income:			
- fair value movement on cash flow hedges	-	(0.3)	(0.3)
Other comprehensive income for the year	-	(0.3)	(0.3)
Transaction with owners:			
- share-based payment charge	0.3	-	0.3
- transfer of share-based payment reserve	(1.5)	-	(1.5)
At 31 December 2015	0.7	(0.2)	0.5
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

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:

	2016 £m	2015 £m
Due within one year	0.4	0.3
Due between one and five years	0.1	0.3
Total	0.5	0.6

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

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.

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 2016 are set out below:

	2016			2015		
	Management recharge £m	Interest charge £m	Outstanding balance £m	Management recharge £m	Interest charge £m	Outstanding balance £m
Ultimate parent undertaking	-	36.2	(617.6)	-	37.3	(585.1)
Immediate parent undertaking	116.1	(13.9)	167.3	119.2	(14.9)	167.9
Other subsidiary of the ultimate parent undertaking	5.1	-	(2.7)	-	-	-
Total	121.2	22.3	(453.0)	119.2	22.4	(417.2)

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

During the year the company paid dividends to the parent company, Provident Financial Management Services Limited, of £55.0m (2015: £75.0m).

During the year, the company sold six tranches of charged off debt to a subsidiary of the ultimate parent undertaking, Vanquis Bank Limited, for £5.8m (2015: £2.8m).

25 Contingent liabilities

The company is a guarantor in respect of: (i) borrowings made by the company's ultimate parent undertaking; and (ii) guarantees given by the company's ultimate parent undertaking in respect of borrowings of certain of its subsidiaries to a maximum of £1,046.0m (2015: £1,097.9m). At 31 December 2016, the borrowings amounted to £914.0m (2015: £864.9m). No loss is expected to arise.

26 Reconciliation of profit after taxation to cash generated from operations

	Note	2016 £m	2015 £m
Profit after taxation		72.1	61.8
Adjusted for:			
- tax charge	5	16.4	14.6
- finance income	2	(13.9)	(14.9)
- finance costs	3	36.2	37.3
- share-based payment charge	21	0.3	0.3
- depreciation of property, plant and equipment	9	1.2	1.0
Changes in operating assets and liabilities:			
- amounts receivable from customers		(34.7)	38.0
- trade and other receivables		1.8	(3.4)
- trade and other payables		25.4	(20.6)
Cash generated from operations		104.8	114.1

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.