PROVIDENT FINANCIAL HOLDINGS LIMITED
(Company Number 13061852)

ANNUAL REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2021

CONTENTS

PROVIDENT FINANCIAL HOLDINGS LIMITED
(Company Number 13061852)

DIRECTORS' REPORT

Provident Financial Holdings Limited (the 'Company') is a wholly-owned subsidiary of Provident Financial plc which, together with its subsidiaries, forms the Provident Financial group (the 'Group'). Provident Financial plc is a public limited company, listed on the London Stock Exchange.

Principal activities
The Company was incorporated on 4 December 2020 and its principal activity is as an intermediate holding company. The Company generates income from interest on intercompany loans and dividends received from its investments in subsidiaries.

Results
The income statement for the period is set out on page 13. The resulting loss for the period of £278.8m has been deducted from reserves and reflects the net intercompany interest expense of £12.6m and the impairment provisions for the investment and intercompany balances in relation to CCD, which is no longer trading.

Dividends
The directors made dividend payments of £85.0m to the parent company, Provident Financial plc, during the period ended 31 December 2021.

Directors
The directors of the Company at 31 December 2021 and up to the date of signing of this report, except where stated, were:

N Kapur (appointed 04 December 2020)
M Le May (appointed 04 December 2020)

Employee involvement
The Company does not have any employees.

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 they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
ii) they have taken all reasonable steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern
The directors expect that the business will continue in existence for a period of at least twelve months from the date of approval of the financial statements 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.

Due to the Company's period-end position, the ultimate parent undertaking, Provident Financial plc, has confirmed its continued support for the company for at least the next 12 months from the date of signing the financial statements. Accordingly, the financial statements of the company have been prepared on a going concern basis.

Post Balance Sheet Events
Post balance sheet events have been disclosed in note 14 of the accounts.

DIRECTORS' REPORT (CONTINUED)

BY ORDER OF THE BOARD

N Kapur
Director
Bradford
8 August 2022

PROVIDENT FINANCIAL HOLDINGS LIMITED
(Company Number 13061852)

STRATEGIC REPORT

Review of the business
The loss for the period of £278.8m has been deducted from reserves and includes impairment provisions totalling £353.5m predominantly in relation to the CCD division which ceased trading at the end of 2021.

The Company was incorporated on 4 December 2020 as an unlimited company. On 29 December 2020, the Company acquired the shares in Vanquis Bank Limited, Duncton Group Limited (the Moneybarn sub-group) and N&N Simple Financial Solutions Limited (the Cheque Exchange sub-group) from Provident Financial plc primarily in exchange for the issue of ordinary shares issued at a premium. Following the acquisitions, the Company, as an unlimited company, reduced its share capital/share premium and credited distributable reserves. Subsequently, the Company acquired the shares in Provident Financial Management Services Limited (the CCD sub group) in exchange for consideration left outstanding on the intercompany account. In addition, Provident Financial plc and certain other subsidiaries novated various loan receivables due from other group companies to the Company in exchange for amounts left outstanding on the intercompany account.

On 27 January 2021, the Company became a limited company.

Key performance indicators (KPIs)
The Company solely operates to provide finance to fund the Group. For this reason, the Company's directors believe that analysis using key performance indicators for the statutory Company is not necessary or appropriate for an understanding of the development, performance or position of the Company. The development, performance and position of the Group as a whole, including the Company, is set out in the annual report and financial statements of Provident Financial plc.

Principal risks and uncertainties and financial risk management
The Company participates in the Group-wide 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.

Statement regarding section 172 of the Companies Act 2006
The Company acts as the intermediate holding company for Vanquis Bank (VB) and other Group trading divisions which form part of the Group. The Company does not have any employees.

The Company met twice in the reporting period. On 29 December 2020 it considered its position in the corporate structure of the wider Group, acquired a number of investments and addressed capital matters. On 11 March 2021 the Board focussed on the performance of its investments including the proposed Scheme of Arrangement and potential wind down of CCD.

In order for the ultimate parent company, Provident Financial plc (PF plc) to receive dividends from certain of its subsidiaries, Provident Financial Holdings (PFH), which is the intermediate holding company may, after having received dividends from the subsidiaries, decide to pay dividends to PF plc. The distributable reserves of PFH must therefore be considered and any dividend payments approved and ratified to allow the upward payment of divisional dividends to PF plc.

Our Stakeholders and why we engage with them	How? (How management and/or directors engaged with and considered our stakeholders)	What? (What were the key topics of engagement and consideration)	Key outcomes and actions (What was the impact of the engagement and/or consideration?)
Our Customers PFH has no customers	• Not applicable	• Not applicable	• Not applicable

Our shareholder The Company is a wholly owned subsidiary of PF plc and is the intermediate holding company for a number of companies within the Group. As such it is of paramount importance that there are good communication flows between PFH and PF plc, together with an understanding by PFH of the Group's requirements and needs, particularly relating to the declaration of dividends within the Group. Direct and regular engagement with our shareholder ensures that the Company has a clear understanding of its role as part of the Group	• The Group CEO is Chair of the PFH Board and the Group CFO is a member • A PFH Board meeting took place in December 2020 with one further meeting of the PFH Board during 2021 at which six colleagues and three external advisers were in attendance • Financial reporting, strategy and common accounting principles are utilised across the Group to provide alignment • The Group has an aligned corporate governance framework and structure including complementary Delegated Authorities Manuals • The Group has a centralised Corporate Responsibility team and a Group-wide approach to CSR	• Corporate re-structuring • Acquisition of investments • Capital matters • Whether to proceed with a Scheme of Arrangement in respect of the Consumer Credit Division (CCD) (subject to final approval being obtained from PF plc through the sub-committee of PF plc board members) • The declaration of dividends	• The acquisition of investments and loan receivables; and • A capital reduction and subsequent re-registration of the company.
Our colleagues PFH employs no colleagues	• Not applicable	• Not applicable	• Not applicable
Our communities To invest in activities and initiatives which seek to address some of the key factors which, on their own or acting together, may reduce someone's likelihood to be accepted for credit	• PFH directors sit on the PF plc Board, which drives the Group Social Impact Programme that delivers community investment • PFH directors participate in the Group Customer, Culture and Ethics Committee at which Group-wide community matters are discussed and overseen by the Group Board • Group Board oversight of community matters and the approach to external engagement regarding PFH's purpose and role in society	As a member of the Group: • Community contributions and charitable giving • Volunteering • Matched employee fundraising • Relationships with debt charities • Group Social Impact programme	As a member of the Group: • Group volunteering policy • Group approach to external engagement regarding PFH's purpose and role in society embedded • Matched employee charitable fundraising • The Group Social Impact Programme is aligned to the Group's strategy and Purpose and has delivered community investment focused on community, customers and education
Our regulators PFH is not directly regulated, but supports all interactions with Group regulators as a responsible member of the Group	As a member of the Group: • The PFH Directors are the PF plc CEO and CFO which ensures alignment on matters of regulatory engagement with the wider Group. • Group Board members and executive management	• As a member of the Group: • regulatory engagement focus areas relating to the Company's investments such as; • The enforcement investigation opened by	• Aligned to Group outcomes

	engage proactively with regulators via regular face to face and telephone meetings • Regulatory risk reporting, including horizon scanning, is carried out and reported to the Group Risk Committee and Board as well as to the Group Executive Risk Committee where appropriate • Regulatory engagement and correspondence is reported to and discussed by the Group Board • Dialogue and engagement regarding current products, potential products, customer outcomes and digitisation primarily through the Group CRO	the Financial Conduct Authority (FCA) in relation to CCD on the consideration of affordability and sustainability of lending to customers, as well as the application of a FOS decision into the complaint handling process, in the period between February 2020 and February 2021	
Our suppliers PFH has no suppliers.	• Not applicable	• Not applicable	• Not applicable
Our environment The Group seeks to minimise our environmental impact, in particular to reducing the greenhouse gas emissions associated with our business activities, thereby lessening our contribution to issues such as climate change	As a member of the Group: • The Group utilises the Group Environmental Management System (EMS) • The Group has a Customer, Culture and Ethics Committee at which Group-wide environmental matters are overseen by the Group Board Committee • The Group submission to the Carbon Disclosure Project	As a member of the Group: • Climate change • Environmentally conscious vehicle manufacture • Funding of electric vehicles • Achievement of the Task Force on Climate Related Financial Disclosures objectives • Compliance with ISO 14001	As a member of the Group: • Group wide reduced emissions targets resulting in a reduction in the Groups scope 1 and 3 emissions • Group submission to the Carbon Disclosure Project • Compliance with ISO 14001 • Continued offset of the Group's operational carbon footprint • Group commitment to the six long-term ESG objectives • Implementation of the Task Force on Climate Related Financial Disclosures objectives and recommendations

In our Board papers across the Group requiring a decision to be taken there is a section which presenters have to complete asking them to set out the impact/key matters for the Board to consider in relation to the decision in question on the following factors/stakeholders (where not already set out in the body of their paper) – customers; colleagues; suppliers; regulators/government; investors, communities; environment; reputation; long term considerations. This draws attention to all of the factors directors need to take into account when considering their s. 172 Companies Act 2006 duties, even if there is considered to be no material impact in relation to any specific category of consideration.

In making the following principal decision, the Board took into account its duties under s.172 of the Companies Act 2006:

Decision to proceed with a Scheme of Arrangement in respect of the CCD (subject to final approval being obtained from PF plc through the sub-committee of PF plc board members).

The Group announced on 15 March 2021 its intention to pursue a Scheme of Arrangement (the Scheme), under Part 26 of the Companies Act 2006, in relation to potential redress claims arising from customer creditworthiness complaints based on historical lending in CCD prior to 17 December 2020. During the second half of 2020, industry dynamics had changed the operating environment materially for CCD, making it untenable to treat customer complaints as part of ongoing operating costs. The number of complaints referred to the Financial Ombudsman Service (FOS) across the home credit market in that period had increased by circa 200% compared to the first half of the same year, primarily driven by claims management companies. The Group had considered the strategic options, taken external advice and engaged with its regulators to determine the best way forward given the operating conditions and had come to the conclusion that the only realistic option was to pursue a Scheme of Arrangement (the 'Scheme'), under Part 26 of the Companies Act 2006, in relation to potential redress claims arising from customer creditworthiness complaints based on historical lending in CCD prior to 17 December 2020. As the Company was the immediate parent of CCD any decision to proceed with the Scheme required the approval of the Board. In order for the Board to have due consideration to whether the Company should proceed with the Scheme, the Group presented (amongst other documents), a paper prepared by Clifford Chance setting out factors that the Board should consider in relation to the proposed scheme. The Company's Board considered whether to approve the launch of the Scheme and considering the work and analysis prepared to date in respect of both the proposed Scheme and the possible counterfactual and having regard to their duties as directors, the Board concluded that it was in the best interests of the Company's stakeholders to approve proceeding with the Scheme, subject to final approval being obtained from the Group.

Customers
The Company does not have any direct customers of its own, but considered the effect of making the required attestation to support the application upon CCD customers. The Board noted the appointment of an independent customer advocate for the Scheme, the detailed communication plan and other arrangements that had been put in place to support customers through the Scheme.

Colleagues
The Company does not directly employ any colleagues, but noted the potential impact of the decision they were being asked to take on colleagues employed by CCD and the detailed training and communication plans that had been put in place to support CCD colleagues in understanding and operationalising the Scheme.

Those in a business relationship with the Group
The Company does not have a direct relationship with any suppliers, but noted the detailed communication plan that had been put in place to maintain relationships with critical suppliers for CCD.

Regulators / Government
The Company is not regulated, but the Board received an update in relation to the ongoing relationship with regulators and specifically the update on the ongoing relationship/ discussions with the FCA in relation to the Scheme.

Investors
The Board noted that its sole shareholder PF plc had recently approved moving forward with the Scheme subject to final discussions with the FCA, following all necessary procedural steps and completing any other matters necessary to enter into the Scheme.

Community
The Board considered the effect of making the decision requested upon the community.

Environment
The Board considered the effect of making the decision requested upon the environment.

STRATEGIC REPORT (CONTINUED)

Reputation

The Board considered the potential effect of making the decision requested upon the Company's reputation and concluded, having considered in detail the alternatives to the Scheme, that it was in the best interests of the Company's stakeholders to approve proceeding with the Scheme (subject to final approval being obtained from PF plc through the sub-committee of PF plc board members).

PROVIDENT FINANCIAL HOLDINGS LIMITED
(Company Number 13061852)

STATEMENT OF DIRECTOR'S RESPONSIBILTIES

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 period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom (UK). 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 the 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 IFRSs 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.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Provident Financial Holdings Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Provident Financial Holdings Limited (the 'company'):
- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in shareholder's equity;
- the statement of cash flows;
- the statement of accounting policies;
- the financial and capital risk management report; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

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

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

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. This included regulation set by the Financial Conduct Authority.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuation and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address it are described below:

- the valuation of investments in subsidiaries, as part of our response we:
  - gained an understanding of the governance and oversight process in place in relation to the budget approval process and forecasting methodology;
  - reviewed the key assumptions used within the cash flow forecasts for appropriateness and compared the cash flow forecasts used across other areas of the financial statements;
  - engaged with our internal valuation specialists to determine a reasonable discount rate and compared this against management's calculations; and
  - performed independent research to assess whether the terminal growth rate used within management's model is reasonable.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports .

Report on other legal and regulatory requirements

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

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

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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

Matthew Perkins

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

8 August 2022

PROVIDENT FINANCIAL HOLDINGS LIMITED
(Company Number 13061852)

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December	Note	2021 £m
Interest income		54.6
Dividend income		85.0
Total Revenue	1	139.6
Finance costs	2	(67.2)
Net interest margin		72.4
Operating costs		(353.6)
Loss before taxation	3	(281.2)
Tax credit	4	2.4
Loss for the period deducted from retained earnings		(278.8)

All of the above operations relate to continuing operations.

There is no other comprehensive income for the period.

BALANCE SHEET

As at 31 December	Note	2021 £m
ASSETS		
Investments in subsidiaries	5	1,581.9
Trade and other receivables	6	595.5
TOTAL ASSETS		**2,177.4**
LIABILITIES AND EQUITY		
Liabilities		
Trade and other payables	7	(1,009.2)
Total liabilities		(1,009.2)
Equity attributable to owners of the parent		
Share capital	9	-
Retained earnings		(1,168.2)
Total Equity		(1,168.2)
TOTAL LIABILITIES AND EQUITY		**(2,177.4)**

The financial statements on pages 13 to 24 were approved and authorised for issue by the board of directors on 8 August 2022 and were signed on its behalf by:

N Kapur

N Kapur
Director

PROVIDENT FINANCIAL HOLDINGS LIMITED
(Company Number 13061852)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total £m
On incorporation		-		-	-
Loss and total comprehensive expense for the period		-	-	(278.8)	(278.8)
Issue of share capital		-	1,532.0	-	1,532.0
Capital reduction		-	(1,532.0)	1,532.0	-
Dividends paid		-	-	(85.0)	(85.0)
At 31 December 2021		-	-	1,168.2	1,168.2

STATEMENT OF CASH FLOWS

For period ending 31 December	Note	2021 £m
Cash flow from operating activities		
Cash generated from (used in) operations	11	-
Net cash (used in) operating activities		**-**
Cash flows from investing activities		
Dividend received from subsidiaries		85.0
Net cash (used in) investing activities		**85.0**
Cash flow from financing activities		
Dividend paid to parent		(85.0)
Net cash generated from financing activities		**(85.0)**
Net change in cash, cash equivalents and overdrafts		-
Cash, cash equivalents and overdrafts at end of period		**-**
Cash, cash equivalents and overdrafts at end of period comprise:		
Cash at bank and in hand		-
Overdrafts (held in cash and other borrowings)		-
Total cash, cash equivalents and overdrafts		-

STATEMENT OF ACCOUNTING POLICIES

General information
The Company is a limited liability company, limited by shares and incorporated and domiciled in England. The address of its registered office is No.1 Godwin Street, Bradford, West Yorkshire, BD1 2SU.

The principal activity of the Company is that of a holding company.

Basis of preparation
The financial statements of the Group and Company are prepared in accordance with IFRS as adopted by the UK, International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006.

The change in basis of preparation from IFRS as adopted by the EU to IFRS as adopted by the UK is required as a result of the UK's exit from the EU on 31 January 2020. This change does not constitute a change in accounting policy and there is no impact on recognition, measurement or disclosure between the two frameworks in the period reported.

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates.

Going Concern
In assessing whether the Company is a going concern, the directors have therefore considered the ability of the Group to continue as a going concern due to the intercompany funding provided by the parent company Provident Financial plc. The directors of the Group have reviewed the Group's corporate plan, as approved in December 2021, which includes capital and liquidity forecasts from 2022 to 2026. The assessment included consideration of the Group's principal risks and uncertainties, with a focus on capital and liquidity.

The directors have also reviewed the Group's stress testing projections which are based on a severe but plausible scenario in which unemployment peaks at 12%. This shows that the Group is able to maintain sufficient capital headroom above minimum requirements. The directors have reviewed the Group's reverse stress testing projections to the point of non-viability, which concluded that the Group's viability only comes into question under an unprecedented macroeconomic scenario.

Based on this review, the directors are satisfied that the Group has the required resources to continue in business for a period of at least twelve months following the approval of the Company accounts. In addition, due to the Company's position at the period end, the immediate and ultimate parent undertaking, Provident Financial plc, has confirmed its continued support for the Company for a period of at least twelve months from the date of approval of the financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the Company's accounts.

Principal accounting policies
The Company's principal accounting policies under IFRSs, which have been consistently applied to all the periods presented during the period.

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2021 that have had a material impact on the Company.

There are no IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Revenue
Revenue comprises interest and dividend income earned from subsidiaries.

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

Taxation
The tax charge represents the sum of current and deferred tax. Current tax is calculated based on taxable profit for the period 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, 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 profit 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.

Investments
The Company's investments in subsidiaries are stated at cost less provisions for impairment where required. Impairment provisions reflect the shortfall between the carrying value of the investment with the higher of: (i) fair value less costs to sell; and (ii) value in use of the subsidiary.

Dividends
Dividend distributions to the Company's shareholder are recognised in the financial statements when paid.

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

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

Finance income
Finance income comprises interest income earned from on intra-group loan arrangements.

Intercompany
Expected credit losses on Company intercompany balances are assessed at each balance sheet date. The PDs and LGDs are determined for each loan based on the fellow Group subsidiary undertaking's available funding and cash flow forecasts.

Key assumptions and estimates
In applying the accounting policies set out above, there are no significant estimates or assumptions that affect the reported amounts of assets and liabilities.

FINANCIAL AND CAPITAL RISK MANAGEMENT REPORT

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

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

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

The Company's activities expose it to credit, liquidity and capital risk. These risks are monitored and managed through a centralised treasury function on a Group basis. The objective of the Group's risk management framework is to identify and assess the risks facing the Group and to minimise the potential adverse effects of these risks on the Group's financial performance.

Financial and capital risk management is overseen by the Group treasury committee and further detail on the Group's risk management framework is described in the annual report and financial statements of Provident Financial plc.

(a) Credit risk
Credit risk is the risk that the Company will suffer loss in the event of a default by a bank counterparty. A default occurs when the bank fails to honour repayments as they fall due. The Company's maximum exposure to credit risk on bank counterparties as at 31 December 2021 was £nil.

Counterparty credit risk arises as a result of cash deposits placed with banks and central government. 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. 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. The Company's funding is provided by a mixture of retained earnings and intra Group borrowings from Provident Financial plc.

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 Assets and Liabilities Committee (ALCO).

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. As at 31 December 2021, the Group's committed borrowing facilities had a weighted average period to maturity of 2.5 years (2020: 1.5 years) and the headroom on these committed facilities amounted to £110.0m (2020: £79.3m).

The Group's funding strategy is to maintain sufficient available funds and committed facilities to pre-fund the Group's liquidity and funding requirements for at least the next 12 months, maintaining access to diversified sources of funding comprising: (i) external market funding; (ii) securitisation; (iii) retail deposits; and (iv) liquidity and funding facilities at the Bank of England.

In line with the Group's funding strategy to place less reliance on this source of funding, the facility was repaid early ahead of its contractual maturity in July 2023 and at the same time was cancelled at the discretion of the Group as allowed for in the terms of the facility. The headroom on committed facilities of £110.0m at 31 December 2021 reduced to £50.0m after cancellation of the facility. The Group does not require the funding and was not expecting to renew the facility on maturity.

The Group will continue to explore further funding options as appropriate including, but not limited to, using retail deposits taken in Vanquis Bank Limited to fund the Company, further securitisation issuance and institutional bond issuance. The Group continues to adopt a prudent approach to managing its funding and liquidity resources within risk appetite, and will optimise these resources when new opportunities become available to the Group.

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) Capital risk
Capital risk is managed by the Group's centralised treasury department. The Group manages capital risk by focusing on capital efficiency and effective risk management. This aims to maintain sufficient, but not excessive, financial strength and optimise the debt to equity structure of the Group. A more detailed explanation of the management of capital risk can be found in the annual report and financial statements of Provident Financial plc.

NOTES TO THE FINANCIAL STATEMENTS

1 Revenue

	Period ended Dec 2021 £m
Interest received from other Group companies	54.6
Dividend income received	85.0
Total income	139.6

2 Finance costs

	Period ended Dec 2021 £m
Interest Payable to other Group companies	67.2
Total finance costs	67.2

3 Loss before taxation

	Period ended Dec 2021 £m
Loss before taxation is stated after charging:	
Impairment of investment in subsidiaries	114.7
Impairment of loans to subsidiary companies	238.8

Auditor's remuneration to Deloitte LLP in respect of the audit of the financial statements was £0.1m. Auditor's remuneration to Deloitte LLP in respect of other services was £nil.

The Company has no employees. The emoluments of the directors for services to the company during 2021 were £nil. The emoluments of the directors are borne by the parent company.

4 Taxation

Tax credit in the income statement	Period ended Dec 2021 £m
Current tax	
- UK	2.4
Total current tax credit	2.4

During 2021, a change was enacted to increase the mainstream corporation tax rate from 19% to 25% with effect from 1 April 2023. The company is not carrying any deferred tax balances and so there is no impact in the current period from this change.

The rate of tax credit on the loss before taxation for the period is lower than the average standard rate of corporation tax in the UK of 19%. This can be reconciled as follows:

	Period ended Dec 2021 £m
Loss before taxation	281.2
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19%:	53.4
Effect of:	
- adjustment in respect of non-taxable dividends	16.2
- adjustment in respect of non-deductible impairment of investment	(21.8)
- adjustment in respect of non-deductible impairment of subsidiary company loans	(45.4)
Total tax credit	2.4

5 Investment in subsidiaries

	Total £m
Cost	
Additions	1,696.6
At 31 December 2021	1,696.6
Accumulated impairment	
Charged to the statement of comprehensive income	(114.7)
At 31 December 2021	(114.7)
Carrying value of investments at 31 December 2021	1,581.9

In December 2020, the Company acquired a number of the key operating subsidiaries from Provident Financial plc. Vanquis Bank Limited was acquired in exchange for £50.0m left outstanding on an intercompany account as well as ordinary shares issued at a premium. Duncton Group (Moneybarn sub-group) and N & N Simple Financial Solutions Limited (Cheque Exchange and sub-group) were acquired for ordinary shares issued at a premium.

The CCD subgroup was transferred for a consideration equal to the investment carrying value in Provident Financial plc which was left outstanding as an intercompany loan.

An impairment provision of £114.7m has been recognised in the period. The CCD sub-group was fully impaired (£114.3m) and a provision of £0.4m recognised in relation to the Cheque Exchange sub-group.

6 Trade and other receivables

		2021
Current assets		£m
Amounts owed by fellow subsidiary undertakings	10	595.5
Total trade and other receivables		595.5

There are no amounts past due in respect of trade and other receivables due in less than one year.

In December 2020, Provident Financial plc and certain other subsidiaries novated various loan receivables due from other group companies to the Company in exchange for the issue of equivalent loans.

Amounts owed by fellow subsidiary undertakings are unsecured, due for repayment in less than one year and during 2020 and into 2021 amounts accrued interest at rates linked to the London Interbank Offered Rate (LIBOR). Key benchmark interest rates and indices, such as the London Interbank Offered Rate (LIBOR), were reformed in favour of risk-free rates such as Sterling Overnight Index Average (SONIA) in the United Kingdom. LIBOR was withdrawn at the end of 2021. Over the course of 2021, the Group has refinanced all historically LIBOR-linked liabilities to reference SONIA.

The amounts due have been assessed for impairment under IFRS 9.

Performing loans are categorised as stage 1 against which no provision would be recognised as the counterparty would have sufficient expected cash flows to service their obligations and sufficient realisable net assets to sell in the event of a default. Non-performing loans would have either little or no expected cash flow and are recognised at the realisable value of net assets. A provision would be recognised against these loans. The Company has assessed the estimated credit losses and as a result an impairment provision of £238.8m is held against amounts owed from subsidiaries due in less than one year.

7 Trade and other payables

		2021
Current liabilities	Note	£m
Amounts owed to fellow subsidiary undertakings	10	(269.5)
Amounts owed to ultimate parent company	10	(739.6)
Accruals		(0.1)
Total trade and other payables		(1,009.2)

In December 2020, Provident Financial plc transferred various investments to the Company, some of which took place wholly or partly for consideration left outstanding on an intercompany account. In addition, Provident Financial plc and certain other subsidiaries novated various loan receivables due from other group companies to the Company in exchange for the issue of equivalent loans.

8 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 IFRS 9. Assets and liabilities outside the scope of IFRS 9 are shown within non-financial assets/liabilities:

			2021
	Amortised cost	**Non-financial assets/ liabilities**	**Total**
	£m	**£m**	**£m**
Assets			
Trade and other receivables	595.5	-	595.5
Investment in subsidiaries	-	1,581.9	1,581.9
Total assets	595.5	1,581.9	2,177.4
Liabilities			
Trade and other payables	(1,009.2)	-	(1,009.2)
Total liabilities	(1,009.2)	-	(1,009.2)

9 Share capital

Issued and fully paid		2021
Ordinary shares of £1 each	- £	7
	- number	7

There are no shares issued and not fully paid at the end of the period.

10 Related Party transactions

Details of the transactions between the Company and other Group undertakings, which comprise interest charges or credits on intra-Group balances, along with impairment adjustments made on any balances outstanding at 31 December 2021 are as set out below:

			Period ended Dec 2021
	Interest income £m	**Interest charge £m**	**Outstanding balance £m**
Provident Financial Plc	(7.3)	60.0	(739.6)
Moneybarn No 1 Limited	(37.2)	7.2	305.0
Provident Personal Credit Limited	(9.7)	-	238.8
Vanquis Bank Limited	-	-	2.4
PFG Corporate Services Limited	(0.4)	-	18.6
Total	(54.6)	67.2	(174.8)

The outstanding balance for Provident Personal Credit Limited is gross of an impairment provision of £238.8m.

The Company received £85.0m in dividend income from Vanquis Bank Limited and declared a dividend of £85.0m to Provident Financial plc during the period.

The directors believe that all related party transactions are on an arm's length basis.

11 Reconciliation of loss after tax to cash generated from operations

	Period ended Dec 2021 £m
Loss after tax	(278.8)
Adjusted for:	
- tax charge	(2.4)
- interest income	(54.6)
- dividends received	(85.0)
- interest paid	67.2
- impairment in investments	114.7
- impairment in loans to subsidiary companies	238.8
Changes in operating assets and liabilities:	
- trade and other receivables	(834.3)
- trade and other payables	834.4
Cash generated from operating activities	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 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 £254.5m. At 31 December 2021, the borrowings amounted to £194.0m.

In line with the Group's funding strategy to place less reliance on this source of funding the Group exercised its contractual option to early repay its revolving credit facility on 30 March 2022, ahead of its contractual maturity in July 2023. Following the repayment, the guarantees given by the Company's ultimate parent undertaking in respect of borrowings reduced from £254.5m to £164.5m.

13 Parent undertaking and controlling party

The immediate and ultimate parent undertaking and controlling party is Provident Financial plc, which is the smallest and largest group to consolidate these financial statements. Copies of that company's consolidated financial statements may be obtained from the Company Secretary, Provident Financial plc, No.1 Godwin Street, Bradford, BD1 2SU, and are also publicly available.

14 Post Balance Sheet Events

On 30 June 2022, the Company received a £69.2m dividend from Vanquis Bank and subsequently the Company paid a dividend to the Parent of £69.2m.

In addition, the Parent also made a further loan of £50.0m into the Company, which the Company has subsequently invested in £50.0m of ordinary shares in Duncton Group (Moneybarn sub-group).