Provident Financial plc
Preliminary results for the year ended 31 December 2012

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

Highlights

Strong group performance and dividend increase

- Profit before tax and exceptional credit up 11.7% to £181.1m[1] (2011: £162.1m).
- Adjusted earnings per share up 13.8% to 102.0p[1] (2011: 89.6p).
- Customer numbers up 8.7% to 2.74m (2011: 2.52m) and average receivables up 12.1% to £1,322.1m (2011: £1,178.9m).
- Total dividend per share up 11.9% to 77.2p (2011: 69.0p).
- Capital generated[2] of £107.7m, in excess of dividends in respect of 2012 of £104.3m.

Very robust group funding and liquidity position

- Group fully funded into 2015.
- Gearing stable at 3.2 times (2011: 3.2 times).

Stable CCD result

- Pre-tax profit of £125.1m (2011: £127.5m).
- Year-on-year receivables and customer numbers flat with credit issued tempered by pressure on household disposable incomes.
- Trading result achieved through stable collections performance, continued application of tight credit standards and effective cost control.
- Senior management strengthened to support growth initiatives.

Very strong, profitable growth in Vanquis Bank

- UK pre-tax profit up by 61.3% to £71.3m (2011: £44.2m).
- UK customer and average receivables growth of 30.1% and 37.4% respectively, reflecting step-up in customer acquisition programme targeted at under-served non-standard credit card market.
- UK risk-adjusted margin[3] of 34.8% (2011: 35.0%), well ahead of minimum target of 30% with arrears levels running at record lows.
- Guidance for medium-term potential size of UK business increased to between 1.3 and 1.5 million customers due to higher penetration of target market (previously between 1.0 and 1.2 million).
- Pilot credit card operation in Poland progressing to plan with cost of £3.3m in 2012 and conclusion expected by the half year.

Key financial results

	2012	2011	Change
Customer numbers	2.74m	2.52m	8.7%
Average receivables	£1,322.1m	£1,178.9m	12.1%
Profit before tax and exceptional credit[1]	£181.1m	£162.1m	11.7%
Adjusted earnings per share[1]	102.0p	89.6p	13.8%
Final dividend per share	48.4p	42.3p	14.4%
Total dividend per share	77.2p	69.0p	11.9%

Peter Crook, Chief Executive of Provident Financial, commented:

"I am very pleased to announce adjusted earnings per share growth of 13.8% in 2012 and an 11.9% increase in the dividend for the year which is fully supported by strong capital generation. We have now delivered cumulative earnings per share growth of 42.9% over the last three years.

Our performance is underpinned by the strength of our funding position and lending responsibly through very close attention to credit quality. This has allowed us to generate a stable stream of profits from CCD during a period when customers' household incomes have been under pressure. At the same time, we have continued to invest significantly in growing the customer base and profits from addressing the UK's under-served non-standard credit card market through Vanquis Bank.

We have also revised our assessment of the medium-term potential size of the Vanquis Bank business in the UK to between 1.3 and 1.5 million customers, representing an increase of some 30% on previous guidance.

CCD's collections performance has been sound through the first two months of the year and Vanquis Bank has continued to trade strongly, putting the group in a position to make further good progress in 2013."

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[1] *2012 earnings are stated before an exceptional credit of £15.6m (see note 2) comprising: (i) a £17.7m curtailment credit in respect of the defined benefit pension scheme; and (ii) a £2.1m charge relating to the impairment of goodwill in respect of Cheque Exchange Limited, a business originally acquired in 2001 and now subsumed within CCD. Statutory profit before tax, including the exceptional credit, amounts to £196.7m (2011: £162.1m).*

[2] *Capital generated is calculated as net cash generated from operating activities, after adding back 80% of the growth in customer receivables funded by borrowings, less net cash used in investing activities.*

[3] *Revenue less impairment as a percentage of average receivables for the year ended 31 December.*

Group results

The group has reported a strong set of results with pre-tax profit, before an exceptional credit, up 11.7% to £181.1m (2011: £162.1m), reflecting continued strong growth and margins in Vanquis Bank and a stable performance from CCD. Adjusted earnings per share of 102.0p (2011: 89.6p) grew by 13.8%, a faster rate than pre-tax earnings reflecting the reduction in the statutory rate of UK corporation tax from 26% to 24% on 1 April 2012. An exceptional credit of £15.6m arose in 2012 comprising a £17.7m credit due to severing the link between past accrued benefits and final salary at retirement within the group's defined benefit pension scheme and a £2.1m impairment charge in respect of the goodwill relating to Cheque Exchange Limited, a business originally acquired in 2001 and now subsumed within CCD.

CCD delivered profits of £125.1m in 2012 (2011: £127.5m) underpinned by a sound collections performance, tight credit standards and a strict control of costs. Having been down 2% through the first half of the year, customer numbers ended the year at parity with the prior year, benefiting from enhancements made to the pre-paid card product, TV advertising and a number of other growth initiatives running through the field organisation. Nonetheless, the pressure on disposable incomes from food, fuel and utility price inflation persisted in 2012 and translated into relatively cautious agent and customer behaviour. This meant that credit issued to existing customers was relatively subdued, and sales ended the year 2.5% lower than 2011. Collections performance was sound throughout the year and the annualised ratio of impairment to revenue of 33.0% at the year end was little changed from the ratio of 32.8% reported at June.

Vanquis Bank delivered an excellent performance in 2012 with UK profits up 61.3% to £71.3m (2011: £44.2m), before a £3.3m charge in respect of the pilot credit card operation in Poland. This profit performance was ahead of management's internal plans due to arrears levels remaining stable at record lows for the business. At the same time, increased investment in the customer acquisition programme has delivered year-on-year customer growth of 30.1% and average receivables growth of 37.4% in the UK, both ahead of plan against unchanged underwriting standards. The favourable arrears levels sustained throughout 2012 reflect the strong underlying quality of the receivables book derived from the application of consistently tight credit standards and sound credit line decisioning, against the backdrop of a stable employment market. This has allowed Vanquis Bank to deliver an annualised risk-adjusted margin in the UK of 34.8% in 2012 (2011: 35.0%), well ahead of its minimum target of 30%.

It is encouraging that the pilot credit card operation in Poland is progressing to plan. We expect the pilot to reach a conclusion by the half year.

The group's funding and liquidity positions remain strong with gearing of 3.2 times (2011: 3.2 times). As previously reported, the group renewed its core syndicated bank facility of £382.5m in February through to May 2015 and successfully issued its third retail bond in March raising £120m at a coupon of 7.0% and a duration of five and a half years. Retail deposits at Vanquis Bank increased from £140m at the start of the year to £327m at 31 December 2012, representing 51% of Vanquis Bank's receivables. Due to the increased level of committed debt funding following the retail bond issue, the retail deposits programme has been moderated to ensure that the group retains an appropriate, but not excessive, level of headroom on the group's committed debt facilities. As at 31 December 2012, headroom on the group's committed facilities amounted to £192m and, including the additional capacity available for Vanquis Bank to take retail deposits, total funding capacity amounted to £394m. The group's committed debt facilities, together with the retail deposits programme at Vanquis Bank, are sufficient to fund contractual maturities and projected growth in the business until May 2015.

The group generated capital of £107.7m in 2012 (2011: £110.1m) exceeding dividends in respect of 2012 of £104.3m (2011: £93.0m).

The proposed final dividend has been increased by 14.4% to 48.4p (2011: 42.3p) which, together with the 7.9% increase in the interim dividend, represents an 11.9% increase in the total dividend per share to 77.2p (2011: 69.0p). Dividend cover for 2012, prior to the exceptional credit, increased to 1.32 times (2011: 1.30 times) which is consistent with the group's target of maintaining annual dividend cover of at least 1.25 times. The increase in the full-year dividend is supported by the growth in earnings and strong capital generation.

Market conditions

The competitive landscape for CCD remains unchanged with around 500 active home credit participants in the UK. Home credit customers tend to be hourly paid with a bias towards more casual, temporary and part-time employment. Whilst household incomes of home credit customers have shown some modest growth over the last 12 months, disposable incomes have not recovered and continued to be adversely affected by food, fuel and utility price inflation. Customer behaviour remains cautious, especially the demand for credit for more discretionary items of expenditure. As a result, against unchanged tight underwriting standards, sales to existing customers have been relatively subdued during 2012.

Vanquis Bank continues to experience strong demand in the under-served non-standard credit card market. Whilst the marketing activity of competitors has increased modestly, it has had no discernible impact on new account bookings. Increased investment in the customer acquisition programme, particularly in direct mail, has seen record new account bookings in 2012 of 375,000, up from 294,000 in 2011. Vanquis Bank customers are typically in more regular employment than home credit customers although the business has demonstrated that it is less sensitive to changes in the employment market than mainstream card issuers. UK unemployment has remained relatively stable throughout 2012 and, as a result, arrears levels have been running at record lows for the business. Tight underwriting standards remain in place as a cautious positioning of the business against the risk of any future deterioration in the UK employment market.

Business performance

CCD

CCD generated a profit before tax of £125.1m in 2012 (2011: £127.5m) as set out below:

	Year ended 31 December		
	2012	2011	Change
	£m	£m	%
Customer numbers ('000)	1,827	1,825	0.1
Year-end receivables	869.6	876.7	(0.8)
Average receivables	782.7	783.4	(0.1)
Revenue	696.9	697.1	-
Impairment	(230.2)	(223.8)	(2.9)
Revenue less impairment	466.7	473.3	(1.4)
*Revenue yield**	*89.0%*	*89.0%*	
*Impairment % revenue***	*33.0%*	*32.1%*	
Costs	(295.4)	(298.8)	1.1
Interest	(46.2)	(47.0)	1.7
Profit before tax	125.1	127.5	(1.9)

* *Revenue as a percentage of average receivables for the year ended 31 December.*
** *Impairment as a percentage of revenue for the year ended 31 December.*

The first half of the year was characterised by a heavy focus on collections and an emphasis on sales to good quality existing customers as households faced sharp increases in winter fuel bills. The sound performance of the business during this period enabled a step-up in sales and marketing activity during the second half of the year including greater emphasis on new customer recruitment which has proved effective. Customer numbers ended the year at 1,827,000, level with 2011, having been down 2% at the half year. A number of initiatives, including the launch of the pre-paid One Card and TV advertising, supported this programme. Nonetheless, the pressure on disposable incomes from food, fuel and utility price inflation has not abated and sales have been tempered by the cautious behaviour of agents and many customers. These market conditions also dictated the continued application of tight credit standards. As a result, credit issued for 2012 as a whole was 2.5% lower than 2011.

Average receivables of £782.7m (2011: £783.4m) were flat on 2011 and the annualised revenue yield on the receivables book remained unchanged at 89.0% (2011: 89.0%), reflecting the consistent mix of business over the last two years.

Collections performance remains sound. The ratio of annualised impairment to revenue was 33.0% at December 2012, little changed from the ratio of 32.8% reported in June. The increase from 32.1% reported at December 2011 primarily reflects the benefit to impairment in the second quarter of 2011 from an improvement in the arrears profile which resulted from the enhancements made to the agents' commission scheme in April of that year.

Headline costs fell by £3.4m or 1.1% during 2012. The cost base in 2011 included a one-off amount of £2m associated with the changes required to implement the EU Consumer Credit Directive across the branch network. Underlying costs therefore reduced by £1.4m or 0.5% reflecting a small reduction in agents' commission costs due to the year-on-year reduction in credit issued and related collections, together with efficiency gains which have eliminated the impact of inflation on the payroll and expense base of the business.

Interest costs fell by 1.7% as the business benefited from an average funding rate of 7.4% compared with 7.5% in 2011.

2012 has seen further development across a number of linked initiatives which are designed to bolster medium-term growth prospects and business effectiveness:

- Expansion of the geographic footprint of the business in order to increase penetration in areas where the business has become under-represented. A further 13 new branches were added in the year, making a total of 19 over the last two years. The early progress being made by these new openings is encouraging.
- Development of the product proposition including the launch in August of a pre-paid card called the One Card which allows customers to spend and access special offers across some 60 online and high street retailers. In addition, the existing Gold Card offered to good quality customers in the run up to Christmas has been significantly enhanced. Spend against these cards totalled £43m in 2012, up from £28m in 2011.
- TV advertising, featuring the launch of the One Card across ITV2 and a number of freeview and satellite stations during the autumn, has proved to be an effective customer acquisition channel. Approaching 10,000 new customers can be directly attributed to the campaign and have been added at an average acquisition cost which is very competitive in comparison with other channels such as direct mail.
- Increasing the effectiveness of the field organisation has seen further consolidation of smaller, less profitable agencies into larger, better managed agencies and reduced agency numbers by 700 to 9,800 during 2012. In addition, further enhancements to the agents' commission scheme were announced in October. The changes involve rewarding agents whose agencies consistently deliver good-quality growth with a higher commission rate on collections. The scheme became effective in early February 2013 and has already started to benefit the sales and collection performance of many agencies.
- Investment in IT is central to many of the initiatives taking place across the business. It is also important in driving greater efficiency. An example is the pre-population of customer loan agreements based on stored data which has roughly halved the time taken to issue a new loan to an existing customer which had increased significantly following the introduction of the EU Consumer Credit Directive in early 2011.

Three important senior management appointments have been made in recent months to support the growth and effectiveness agenda. In September, Mark Stevens joined the business as Commercial Director having previously held senior roles at Leeds Building Society, Bradford & Bingley and Apax Partners. His role involves developing the product proposition and distribution, as well as broader business development. In November, Sarah Dickins joined CCD as Human Resources Director following a successful career spanning over 10 years in director and senior management human resources roles with Asda Stores. Her primary role will be to drive up the bench strength of the field organisation to support the growth and effectiveness agenda. Very recently, we have announced the appointment of Andy Parkinson as Director of Field Operations with effect from April 2013. He joins from BrightHouse, having spent the last six years as Retail Director. He was heavily involved in the transformation of the performance of that business and the expansion of its store network.

Vanquis Bank

Vanquis Bank generated a profit before tax of £68.0m in 2012 (2011: £44.2m) as set out below:

	Year ended 31 December		
	2012	2011	Change
	£m	£m	%
Profit/(loss) before tax:			
- UK	71.3	44.2	61.3
- Poland	(3.3)	-	n/a
Total Vanquis Bank	68.0	44.2	53.8

UK

	Year ended 31 December		
	2012	2011	Change
	£m	£m	%
Customer numbers ('000)	899	691	30.1
Year-end receivables	641.5	453.4	41.5
Average receivables	537.4	391.2	37.4
Revenue	283.0	213.7	32.4
Impairment	(95.9)	(76.9)	(24.7)
Revenue less impairment	187.1	136.8	36.8
*Risk-adjusted margin**	*34.8%*	*35.0%*	
Costs	(87.4)	(69.4)	(25.9)
Interest	(28.4)	(23.2)	(22.4)
Profit before tax	71.3	44.2	61.3

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

Vanquis Bank performed very strongly in 2012, reporting a result ahead of management's internal plans. Strong growth in the receivables book, together with favourable arrears levels, enabled the UK business to deliver profits of £71.3m (2011: £44.2m), up 61.3% on 2011. The UK business continued to generate a post-tax return on equity above its target of 30% and is generating surplus capital over and above that required to fund its own growth and maintain its regulatory capital base. Surplus distributable capital generated in 2012 amounted to £26.1m, up from £14.8m in 2011.

The demand for non-standard credit cards remains strong and there has been no discernible impact from a modest increase in marketing activity from competitors. Vanquis Bank processed approximately 1.6 million applications during 2012, up from 1.5 million in 2011, as a result of the increased investment in the customer acquisition programme, particularly direct mail. New account bookings increased by 27.6% to 375,000 (2011: 294,000) after applying underwriting standards that remained consistent with 2011. This represented an acceptance rate of 24% compared with 20% in 2011. The increase reflects a shift in mix towards the direct mail channel which carries a higher booking rate than the internet channel together with more effective pre-screening of internet leads and enhanced targeting of direct mailings. Customer numbers ended the year at 899,000 (2011: 691,000), showing year-on-year growth of 30.1%.

The growth in customer numbers, together with the credit line increase programme to customers who have established a sound payment history, generated a 37.4% increase in average receivables and a 32.4% increase in revenue. Returns from the 'low and grow' approach to extending credit remain consistently good and Vanquis Bank remains extremely active in managing yield and utilisation in order to generate a strong revenue stream whilst maintaining a relatively low level of exposure to undrawn credit lines. Average utilisation in 2012 was 74%, down from 76% in 2011 due to the strong booking rate through the final quarter of the year.

Arrears levels have remained stable at record lows for the business during 2012 due to the application of consistent underwriting standards and the backdrop of a relatively stable employment market. The result was that impairment showed a year-on-year increase of just 24.7% versus a 37.4% increase in average receivables. This strong performance reflects the improving quality of the receivables book which is underpinned by tight underwriting of new business and the effectiveness of credit decisioning embedded in the credit line increase programme.

The risk-adjusted margin of 34.8% in 2012 is little changed from 2011 and has continued to benefit from favourable arrears trends. The benefit in 2012 from the improvement in arrears levels during the first nine months of the year was approximately 1.5%. Arrears levels have now been stable at a record low for the business for four months. Accordingly, in the absence of any change in the external environment or credit standards, the underlying risk-adjusted margin is expected to moderate towards 33% versus the minimum target for the business of 30%.

Growth in the cost base of 25.9% includes an uplift of £5.4m in the spend on direct mail and other sales and marketing activities to support the increase in new account bookings in the year.

Interest costs of £28.4m (2011: £23.2m) increased by 22.4% during 2012 compared with the growth in average receivables of 37.4%. This reflects the reduction in Vanquis Bank's blended funding rate from 7.9% in 2011 to 7.2% in 2012 due to the progressive benefit from taking retail deposits since July 2011. During the year, Vanquis Bank's retail deposit base increased to 51% of receivables from 31% of receivables at the start of the year, with the remaining funding being provided by Provident Financial plc in the form of an intercompany loan. Rates of between 2.21% and 4.65% have been paid on retail deposits during the year, which after taking account of the cost of holding a liquid assets buffer, has resulted in a blended retail deposits rate of 4.5% in 2012. Assuming market rates remain stable, Vanquis Bank's overall funding rate is expected to reduce by around 100bps in 2013 as the proportion of funding provided by retail deposits increases.

The growth in Vanquis Bank in the UK over the last two years has exceeded internal plans and the demand for non-standard credit cards in the UK is expected to remain strong. The business is achieving greater penetration of its target market through enhanced marketing strategies. Management is therefore revising upwards its assessment of the medium-term potential size of the UK business from addressing its current target market to between 1.3 and 1.5 million customers, from the previous assessment of between 1.0 and 1.2 million communicated in 2011. There is no change to the assessment that the average customer balance will be between £800 to £1,000 as the business approaches a more mature state. In practice, the medium-term rate of growth will be dictated by economic conditions, the emergence of competition and the strict financial objective of maintaining a minimum post-tax return on equity of 30%. Beyond this potential, Vanquis Bank continues to explore opportunities for product extension in the UK as well as international expansion.

Poland

During 2012, Vanquis Bank established a pilot credit card operation in Poland with the objective of developing a customer proposition and business model capable of delivering the group's target returns.

The product proposition has been well received by customers. The first credit cards were issued in June, when distribution commenced through a single regional broker. The Polish website went live for applications in September and further distribution was added through a national broker in December. At the end of December, the Polish pilot operation had 9,000 customers and receivables of £1.8m.

The business platform is operating successfully and sufficient business is now being written to allow Vanquis Bank to develop bespoke credit tools which are a prerequisite for moving the business to scale.

Overall the pilot operation is progressing in line with management's plans and costs for the year amounted to £3.3m, consistent with previous guidance. Firm conclusions on the results of the pilot are expected to be reached at the half year. Vanquis Bank is expected to incur costs of approximately £3m in the first half of 2013 in respect of the pilot.

Central costs

Central costs in 2012 were £12.0m (2011: £10.2m), up by £1.8m on 2011 primarily due to higher pension charges and higher compliance and regulatory costs.

Exceptional credit

An exceptional credit of £15.6m arose in 2012 (2011: £nil). This comprises:

(i) a curtailment credit of £17.7m following the removal of the link to final salary at retirement from the group's defined benefit pension scheme. Past accrued final salary benefits will now increase in line with CPI rather than in line with future salary increases. Since the credit results from a specific management action, IAS 19 requires the reduction in liabilities to be recognised through the income statement rather than as an actuarial gain; and
(ii) a £2.1m charge relating to the impairment of goodwill in respect of Cheque Exchange Limited, a business originally acquired in 2001 and now subsumed within CCD.

Taxation

The tax charge for 2012 represents an effective rate of 24.5% (2011: 26.1%) on profit before tax prior to the exceptional credit, and is consistent with the UK corporation tax rate which reduced from 26% to 24% on 1 April 2012. The group is expected to benefit in future years from the rate reductions announced by the Government in the last budget.

Dividends

The proposed final dividend has been increased by 14.4% to 48.4p (2011: 42.3p) which, together with the 7.9% increase in the interim dividend, represents an 11.9% increase in the total dividend per share to 77.2p (2011: 69.0p). Dividend cover for 2012, prior to the exceptional credit, was 1.32 times (2011: 1.30 times) and is consistent with the group's stated target of maintaining annual dividend cover of at least 1.25 times. The increase in the full-year dividend is supported by the group's growth in earnings and strong capital generation.

Funding and capital

The group's funding and liquidity positions are strong with the balance sheet reflecting a gearing ratio of 3.2 times (2011: 3.2 times) against a banking covenant limit of 5.0 times. The group's credit rating from Fitch Ratings was reviewed in June 2012 and remains unchanged at BBB with a stable outlook.

The group further strengthened and diversified its funding base during the year. In February, the group renewed its core syndicated bank facility of £382.5m through to May 2015. In addition, the group launched its third retail bond in March raising £120m at a coupon of 7.0% and duration of five and a half years. As at the end of December, Vanquis Bank had taken £327m of retail deposits, up from £140m at the end of 2011, representing 51% of Vanquis Bank's receivables. Due to the increased level of committed debt funding following the retail bond issue, the flow of new funds from the retail deposits programme through the last nine months of the year has been moderated. As a result, monthly inflows during this period averaged £12m compared with an average of £34m during the first three months of the year.

As at 31 December 2012, Vanquis Bank held a liquid assets buffer of £52.3m (2011: £17.5m). This represented 50% (2011: 30%) of the maximum requirement stipulated by the Financial Services Authority (FSA) in accordance with the applicable transitional arrangements. During the latter part of 2012, the FSA removed the requirement to increase the liquid assets buffer to the maximum requirement of 100% by 2016 and has confirmed that the 50% requirement will remain in place for the foreseeable future. Separately, Vanquis Bank has obtained permission from the FSA to increase the maximum level of retail deposits funding from 80% to 90% of receivables. These two developments confirm the sustainability of Vanquis Bank's self funding status. However, in order for the group to maintain sufficient, but not excessive, headroom against committed facilities in accordance with its treasury policies, its latest financial projections show that it will not be necessary for Vanquis Bank to move to full retail deposit funding until at least 2015.

Headroom on the group's committed debt facilities at 31 December 2012 amounted to £192m. Including the additional capacity for Vanquis Bank to take retail deposits, total funding capacity amounted to £394m. This is sufficient to fund debt maturities and projected growth in the business until May 2015.

The group's funding rate during 2012 was 7.2%, down from 7.6% in 2011 due to the benefit of the Vanquis Bank retail deposits programme which commenced in July 2011. The group's funding rate is expected to moderate further to around 7% for 2013. The group continues with its programme to consider opportunities to further diversify its funding base as well as extend the maturity profile of its debt.

The group's capital position remains strong, consistent with its strategy of developing and growing businesses which generate high returns on capital to support the group's dividend policy. In 2012, capital generated amounted to £107.7m (2011: £110.1m) compared with dividends in respect of 2012 of £104.3m (2011: £93.0m). Vanquis Bank continues to generate surplus capital over and above that required to fund its own growth and maintain its regulatory capital base. Accordingly, the business paid a dividend of £5.0m to Provident Financial in March 2012 and has paid a further dividend of £15.0m in February 2013.

The group's strong capital generation, planned levels of asset growth and dividend policy remain consistent with maintaining the target gearing level of around 3.5 times.

Regulation

The transfer of responsibility for consumer credit regulation from the Office of Fair Trading (OFT) to the Financial Conduct Authority (FCA) is expected to be confirmed in 2013 and to take place in 2014. There are still a number of important issues to be resolved, including how the current Consumer Credit Act regime will be transformed to a rules-based environment. In addition, the Government has amended the Financial Services Bill to make explicit the power of the FCA to limit loan charges. In practice, this does not augment the regulator's existing powers.

The Bristol University Personal Finance Research Centre study into a variable cap on the total cost of credit is continuing and the research team published a progress update on 24 May 2012. This dealt largely with the methodology and approach adopted. The delayed final report is due to be published shortly.

Final guidance on the joint consultation between the FSA and the OFT on proposed guidance to firms in relation to payment protection products was published in January 2013 and was broadly consistent with the draft guidance issued previously. It applies to insurance and non-insurance products right across the financial services industry, including non-insurance, debt freeze products such as the Repayment Option Plan (ROP) made available to Vanquis Bank customers. One of the main features of the guidance is to provide clarity around the disclosure of the cost of payment protection products. It is Vanquis Bank's practice to comply fully with all legislation and related guidance. This latest guidance on payment protection products may result in some modest reduction in the customer take-up of the ROP product.

Outlook

The group's funding and liquidity position is strong, allowing it to meet contractual debt maturities and accommodate in full its growth plans into 2015.

The focus in 2013 is to execute against the agenda to bolster medium-term growth prospects and business effectiveness in CCD, even if near-term market conditions remain unhelpful, and to continue to invest in the customer acquisition programme at Vanquis Bank whilst delivering strong margins. Strict credit standards will be maintained.

It is encouraging to report that the pilot credit card operation in Poland is progressing to plan. We expect the pilot to reach a conclusion by the half year.

In the early part of 2013, the collections performance in CCD has been sound and Vanquis Bank has made a strong start to the year. The group expects to make further good progress in 2013.

Consolidated income statement for the year ended 31 December

	Note	2012 £m	2011 £m
Revenue	2	980.0	910.8
Finance costs		(74.7)	(69.6)
Operating costs		(478.8)	(450.1)
Administrative costs		(229.8)	(229.0)
Administrative costs before exceptional items		(245.4)	(229.0)
Exceptional items	2	15.6	-
Total costs		(783.3)	(748.7)
Profit before taxation	2	196.7	162.1
Profit before taxation and exceptional items	2	181.1	162.1
Exceptional items	2	15.6	-
Tax charge	3	(48.7)	(42.3)
Profit for the year attributable to equity shareholders		148.0	119.8

All of the above activities relate to continuing operations.

Consolidated statement of comprehensive income for the year ended 31 December

	Note	2012 £m	2011 £m
Profit for the year attributable to equity shareholders		148.0	119.8
Other comprehensive income:			
– cash flow hedges		(0.6)	1.4
– actuarial movements on retirement benefit asset	7	(14.1)	(37.1)
– tax on other comprehensive income	3	3.5	9.4
– impact of change in UK tax rate	3	(0.1)	(0.1)
Other comprehensive income for the year		(11.3)	(26.4)
Total comprehensive income for the year		136.7	93.4

Earnings per share

	Note	2012 pence	2011 pence
Basic	4	110.4	89.6
Diluted	4	108.3	89.4

Dividends per share

	Note	2012 pence	2011 pence
Proposed final dividend	5	48.4	42.3
Total dividend for the year	5	77.2	69.0
Paid in the year*	5	71.1	64.8

* The total cost of dividends paid in the year was £96.1m (2011: £86.8m).

Consolidated balance sheet as at 31 December

	Note	2012 £m	2011 £m
ASSETS			
Non-current assets			
Goodwill	2	-	2.1
Other intangible assets		9.5	12.9
Property, plant and equipment		23.9	26.8
Financial assets:			
– amounts receivable from customers	6	97.5	88.0
– derivative financial instruments		8.1	11.9
Retirement benefit asset	7	23.0	13.5
Deferred tax assets		6.1	7.5
		168.1	162.7
Current assets			
Financial assets:			
– amounts receivable from customers	6	1,416.3	1,244.7
– derivative financial instruments		-	0.3
– cash and cash equivalents		79.1	49.6
– trade and other receivables		23.0	21.1
		1,518.4	1,315.7
Total assets	2	1,686.5	1,478.4
LIABILITIES			
Current liabilities			
Financial liabilities:			
– bank and other borrowings		(169.8)	(50.5)
– derivative financial instruments		(2.0)	-
– trade and other payables		(60.6)	(53.0)
Current tax liabilities		(37.7)	(40.1)
		(270.1)	(143.6)
Non-current liabilities			
Financial liabilities:			
– bank and other borrowings		(1,031.6)	(999.1)
– derivative financial instruments		(9.4)	(9.5)
		(1,041.0)	(1,008.6)
Total liabilities		(1,311.1)	(1,152.2)
NET ASSETS	2	375.4	326.2
SHAREHOLDERS' EQUITY			
Share capital		28.7	28.5
Share premium		148.1	146.0
Other reserves		13.2	9.4
Retained earnings		185.4	142.3
TOTAL EQUITY		375.4	326.2

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

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2011		28.1	144.0	0.9	136.4	309.4
Profit for the year		-	-	-	119.8	119.8
Other comprehensive income:						
– cash flow hedges		-	-	1.4	-	1.4
– actuarial movements on retirement benefit asset	7	-	-	-	(37.1)	(37.1)
– tax on other comprehensive income	3	-	-	(0.5)	9.9	9.4
– impact of change in UK tax rate	3	-	-	(0.1)	-	(0.1)
Other comprehensive income for the year		-	-	0.8	(27.2)	(26.4)
Total comprehensive income for the year		-	-	0.8	92.6	93.4
Transactions with owners:						
– issue of share capital		0.4	2.0	-	-	2.4
– purchase of own shares		-	-	(0.2)	-	(0.2)
– transfer of own shares on vesting of share awards		-	-	6.2	(6.2)	-
– share-based payment charge		-	-	8.0	-	8.0
– transfer of share-based payment reserve		-	-	(6.3)	6.3	-
– dividends	5	-	-	-	(86.8)	(86.8)
At 31 December 2011		28.5	146.0	9.4	142.3	326.2
At 1 January 2012		28.5	146.0	9.4	142.3	326.2
Profit for the year		-	-	-	148.0	148.0
Other comprehensive income:						
– cash flow hedges		-	-	(0.6)	-	(0.6)
– actuarial movements on retirement benefit asset	7	-	-	-	(14.1)	(14.1)
– tax on other comprehensive income	3	-	-	0.1	3.4	3.5
– impact of change in UK tax rate	3	-	-	(0.1)	-	(0.1)
Other comprehensive income for the year		-	-	(0.6)	(10.7)	(11.3)
Total comprehensive income for the year		-	-	(0.6)	137.3	136.7
Transactions with owners:						
– issue of share capital		0.2	2.1	-	-	2.3
– purchase of own shares		-	-	(0.1)	-	(0.1)
– transfer of own shares on vesting of share awards		-	-	3.7	(3.7)	-
– share-based payment charge		-	-	6.4	-	6.4
– transfer of share-based payment reserve		-	-	(5.6)	5.6	-
– dividends	5	-	-	-	(96.1)	(96.1)
At 31 December 2012		28.7	148.1	13.2	185.4	375.4

Consolidated statement of cash flows for the year ended 31 December

	Note	2012 £m	2011 £m
Cash flows from operating activities			
Cash generated from operations	8	89.6	138.7
Finance costs paid		(73.1)	(69.9)
Tax paid		(46.3)	(42.0)
Net cash (used in)/generated from operating activities		(29.8)	26.8
Cash flows from investing activities			
Purchase of intangible assets		(1.6)	(3.0)
Purchase of property, plant and equipment		(7.1)	(6.0)
Proceeds from disposal of property, plant and equipment		1.3	1.6
Net cash used in investing activities		(7.4)	(7.4)
Cash flows from financing activities			
Proceeds from bank and other borrowings		531.8	330.1
Repayment of bank and other borrowings		(363.2)	(251.1)
Dividends paid to company shareholders	5	(96.1)	(86.8)
Proceeds from issue of share capital		2.3	2.4
Purchase of own shares		(0.1)	(0.2)
Net cash generated from/(used in) financing activities		74.7	(5.6)
Net increase in cash, cash equivalents and overdrafts		37.5	13.8
Cash, cash equivalents and overdrafts at beginning of year		32.2	18.4
Cash, cash equivalents and overdrafts at end of year		69.7	32.2
Cash, cash equivalents and overdrafts at end of year comprise:			
Cash at bank and in hand		79.1	49.6
Overdrafts (held in bank and other borrowings)		(9.4)	(17.4)
Total cash, cash equivalents and overdrafts		69.7	32.2

Cash at bank and in hand includes £52.3m (2011: £17.5m) in respect of the liquid assets buffer held by Vanquis Bank in accordance with the FSA’s liquidity regime. This buffer is not available to finance the group’s day-to-day operations.

Notes to the preliminary announcement

1. Basis of preparation

The preliminary announcement has been prepared in accordance with the Listing Rules of the Financial Services Authority and is based on the 2012 financial statements which have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preliminary announcement does not constitute the statutory financial statements of the group within the meaning of Section 434 of the Companies Act 2006. The statutory financial statements for the year ended 31 December 2011 have been filed with the Registrar of Companies. The auditors have reported on those financial statements and on the statutory financial statements for the year ended 31 December 2012, which will be filed with the Registrar of Companies following the annual general meeting. Both the audit reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under Section 498 of the Companies Act 2006.

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

2. Segment reporting

	Revenue		Profit/(loss) before taxation	
	2012	2011	2012	2011
	£m	£m	£m	£m
CCD	696.9	697.1	125.1	127.5
Vanquis Bank	283.1	213.7	68.0	44.2
	980.0	910.8	193.1	171.7
Central:				
– costs	-	-	(12.0)	(10.2)
– interest receivable	-	-	-	0.6
Total central	-	-	(12.0)	(9.6)
Total group before exceptional items	980.0	910.8	181.1	162.1
Exceptional items	-	-	15.6	-
Total group	980.0	910.8	196.7	162.1

Exceptional items in 2012 comprise:

- a curtailment credit of £17.7m following the removal of the link to final salary at retirement from the group's defined benefit pension scheme (see note 7); and
- a £2.1m charge relating to the impairment of goodwill in respect of Cheque Exchange Limited, a business originally acquired in 2001 and now subsumed within CCD.

All of the above activities relate to continuing operations. All of the group's operations operate principally in the UK and Republic of Ireland. Revenue between business segments is not material.

	Segment assets		Net assets/(liabilities)	
	2012	2011	2012	2011
	£m	£m	£m	£m
CCD	947.8	962.0	223.3	224.8
Vanquis Bank	716.1	487.0	152.0	101.5
Central	53.9	52.4	0.1	(0.1)
Total before intra-group elimination	1,717.8	1,501.4	375.4	326.2
Intra-group elimination	(31.3)	(23.0)	-	-
Total group	1,686.5	1,478.4	375.4	326.2

2. Segment reporting (continued)

Segment net assets are based on the statutory accounts of the companies forming the group's business segments adjusted to assume repayment of intra-group balances and rebasing the borrowings of CCD to reflect a borrowings to receivables ratio of 80%. The impact of this is an increase in the notional allocation of group borrowings to CCD of £31.3m (2011: £23.0m) and an increase in the notional cash allocated to central activities of the same amount. The intra-group elimination adjustment removes this notional allocation to state borrowings and cash on a consolidated group basis.

During the first half of 2012, Vanquis Bank established a branch in Poland as part of a pilot credit card operation in that territory. The revenue in respect of the branch in 2012 amounted to £0.1m (2011: £nil) and the loss amounted to £3.3m (2011: £nil). The net liabilities of the branch amounted to £1.2m at 31 December 2012 (2011: £nil), comprising assets of £2.8m (2011: £nil) and liabilities of £4.0m (2011: £nil). These figures are included within the Vanquis Bank figures in the tables above.

3. Tax charge

The tax charge in the income statement is as follows:

	2012 £m	2011 £m
Current tax:		
– UK	(43.0)	(37.7)
– overseas	(0.9)	-
Total current tax	(43.9)	(37.7)
Deferred tax	(4.4)	(4.3)
Impact of change in UK tax rate	(0.4)	(0.3)
Total tax charge	(48.7)	(42.3)

The tax charge in respect of exceptional items in 2012 amounted to £4.3m.

As a result of the change in the UK corporation tax rate which is effective from 1 April 2013 (2011: 1 April 2012), deferred tax balances have been re-measured. The temporary differences on which deferred tax balances have been calculated are expected to reverse after 1 April 2013 (2011: after 1 April 2012). Accordingly, the balances have been calculated using a tax rate of 23% (2011: 25%). A tax charge in 2012 of £0.4m (2011: £0.3m) represents the income statement adjustment to deferred tax as a result of this change. An additional deferred tax charge of £0.1m (2011: £0.1m) has been taken directly to other comprehensive income, reflecting the impact of the change in UK corporation tax rates on items previously reflected directly in other comprehensive income.

The tax credit on items taken directly to other comprehensive income as follows:

	2012 £m	2011 £m
Current tax credit/(charge) on cash flow hedges	0.1	(0.5)
Deferred tax credit on actuarial movements on retirement benefit asset	3.4	9.9
Tax credit on items taken directly to other comprehensive income prior to impact of change in UK tax rate	3.5	9.4
Impact of change in UK tax rate	(0.1)	(0.1)
Tax credit on items taken directly to other comprehensive income	3.4	9.3

3. Tax charge (continued)

The movement in deferred tax assets during the year can be analysed as follows:

	2012 £m	2011 £m
At 1 January	7.5	2.8
Charge to the income statement	(4.4)	(4.3)
Credit on other comprehensive income prior to impact of change in UK tax rate	3.5	9.4
Impact of change in UK tax rate:		
– charge to the income statement	(0.4)	(0.3)
– charge to other comprehensive income	(0.1)	(0.1)
At 31 December	6.1	7.5

The rate of tax charge on the profit before taxation for the year is higher than (2011: lower than) the average standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). This can be reconciled as follows:

	2012 £m	2011 £m
Profit before taxation	196.7	162.1
Profit before taxation multiplied by the average standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	(48.2)	(43.0)
Effects of:		
– benefit of lower tax rates overseas	1.0	-
– impairment of goodwill not deductible for tax purposes	(0.5)	-
– adjustment in respect of prior years	(0.5)	1.2
– expenses not deductible for tax purposes net of non-taxable income	(0.1)	(0.2)
– impact of change in UK tax rate	(0.4)	(0.3)
Total tax charge	(48.7)	(42.3)

4. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding own shares held (treasury shares), which are treated, for this purpose, as being cancelled. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are calculated as follows:

(i) For share awards outstanding under performance-related share incentive schemes such as the Performance Share Plan (PSP) and the Long Term Incentive Scheme (LTIS), the number of dilutive potential ordinary shares is calculated based on the number of shares which would be issuable if: (i) the end of the reporting period is assumed to be the end of the schemes' performance period; and (ii) the performance targets have been met as at that date.

(ii) For share options outstanding under non-performance related schemes such as the Save As You Earn scheme (SAYE), a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of share options outstanding, with the difference being the dilutive potential ordinary shares.

4. Earnings per share (continued)

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

	2012 Earnings £m	2012 Weighted average number of shares m	2012 Per share amount pence	2011 Earnings £m	2011 Weighted average number of shares m	2011 Per share amount pence
Earnings per share						
Shares in issue during the year		138.0			136.8	
Own shares held		(3.9)			(3.1)	
Basic earnings per share	148.0	134.1	110.4	119.8	133.7	89.6
Dilutive effect of share options and awards	-	2.5	(2.1)	-	0.3	(0.2)
Diluted earnings per share	148.0	136.6	108.3	119.8	134.0	89.4

The directors have elected to show an adjusted earnings per share prior to exceptional items (see note 2). This is presented to show the earnings per share generated by the group's underlying operations. A reconciliation of basic and diluted earnings per share to adjusted basic and diluted earnings per share is as follows:

	2012 Earnings £m	2012 Weighted average number of shares m	2012 Per share amount pence	2011 Earnings £m	2011 Weighted average number of shares m	2011 Per share amount pence
Basic earnings per share	148.0	134.1	110.4	119.8	133.7	89.6
Exceptional items, net of tax	(11.3)	-	(8.4)	-	-	-
Adjusted basic earnings per share	136.7	134.1	102.0	119.8	133.7	89.6
Diluted earnings per share	148.0	136.6	108.3	119.8	134.0	89.4
Exceptional items, net of tax	(11.3)	-	(8.2)	-	-	-
Adjusted diluted earnings per share	136.7	136.6	100.1	119.8	134.0	89.4

5. Dividends

		2012 £m	2011 £m
2010 final	- 38.1p per share	-	51.0
2011 interim	- 26.7p per share	-	35.8
2011 final	- 42.3p per share	57.2	-
2012 interim	- 28.8p per share	38.9	-
Dividends paid		96.1	86.8

The directors are recommending a final dividend in respect of the financial year ended 31 December 2012 of 48.4p per share (2011: 42.3p) which will amount to a dividend payment of £65.4m (2011: £57.2m). If approved by the shareholders at the annual general meeting on 9 May 2013, this dividend will be paid on 21 June 2013 to shareholders who are on the register of members at 24 May 2013. This dividend is not reflected in the balance sheet as at 31 December 2012 as it is subject to shareholder approval.

6. Amounts receivable from customers

	2012 £m	2011 £m
CCD	870.5	879.3
Vanquis Bank	643.3	453.4
Total group	1,513.8	1,332.7
Analysed as:		
– due in more than one year	97.5	88.0
– due within one year	1,416.3	1,244.7
Total group	1,513.8	1,332.7

CCD receivables comprise £869.6m in respect of the home credit business (2011: £876.7m) and £0.9m in respect of the collect-out of Real Personal Finance (2011: £2.6m).

Vanquis Bank receivables comprise £641.5m in respect of the UK business (2011: £453.4m) and £1.8m in respect of the Polish pilot operation (2011: £nil).

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

	2012 £m	2011 £m
CCD	230.2	223.8
Vanquis Bank	95.9	76.9
Total group	326.1	300.7

Impairment in Vanquis Bank is deducted from the carrying value of amounts receivable from customers by the use of an allowance account. The Vanquis Bank allowance account as at 31 December 2012 amounted to £91.4m (2011: £62.4m). Within CCD, impairments are deducted directly from amounts receivable from customers without the use of an allowance account.

7. Retirement benefit asset

The group operates a defined benefit scheme: the Provident Financial Staff Pension Scheme. The scheme has been substantially closed to new members since 1 January 2003. The scheme covers 57% of employees with company-provided pension arrangements and is of the funded, defined benefit type. Following a full group review of pension scheme arrangements, from 1 April 2006 members were provided with a choice of paying higher member contributions to continue accruing benefits based on final salary or paying a lower member contribution and accruing benefits based on a percentage of salary which would be revalued each year. For members that switched to paying lower member contributions, the benefits accrued before they switched would retain a link to their final salary at retirement.

During 2012, the group further reviewed its pension arrangements and from 31 December 2012 the link to final salary at retirement will no longer apply. Furthermore, no future final salary benefits will accrue, with all members now accruing benefits based on a percentage of salary that is revalued each year. As a result of this change, the past accrued final salary benefits will increase in the future in line with statutory revaluations (now linked to CPI inflation), rather than in line with future salary increases.

The most recent actuarial valuation of the scheme was carried out as at 1 June 2009 by a qualified independent actuary. A valuation as at 1 June 2012 is currently in progress but is not yet finalised. The valuation used for the purposes of IAS 19 'Employee benefits' has been based on the preliminary results of the 2012 valuation updated by the actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at the balance sheet date. Scheme assets are stated at fair value as at the balance sheet date.

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

	2012 £m	2011 £m
Equities	249.2	218.4
Corporate bonds	187.4	173.9
Fixed interest gilts	-	28.4
Index-linked gilts	103.9	103.2
Cash and money market funds	30.2	1.1
Fair value of scheme assets	570.7	525.0
Present value of defined benefit obligation	(547.7)	(511.5)
Net retirement benefit asset recognised in the balance sheet	23.0	13.5

The amounts recognised in the income statement were as follows:

	2012 £m	2011 £m
Current service cost	(6.8)	(7.0)
Interest cost	(24.9)	(25.4)
Expected return on scheme assets	27.5	32.0
Net charge recognised in the income statement before exceptional curtailment credit	(4.2)	(0.4)
Exceptional curtailment credit	17.7	-
Net credit/(charge) recognised in the income statement	13.5	(0.4)

The exceptional curtailment credit in 2012 of £17.7m relates to the change during the year to applying statutory revaluations to accrued final salary benefits rather than in line with future salary increases.

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

7. Retirement benefit asset (continued)

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

	2012 £m	2011 £m
Fair value of scheme assets at 1 January	525.0	514.1
Expected return on scheme assets	27.5	32.0
Actuarial movement on scheme assets	23.4	(18.4)
Contributions paid by the group	10.1	10.0
Net benefits paid out	(15.3)	(12.7)
Fair value of scheme assets at 31 December	570.7	525.0

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

	2012 £m	2011 £m
Present value of defined benefit obligation at 1 January	(511.5)	(473.1)
Current service cost	(6.8)	(7.0)
Interest cost	(24.9)	(25.4)
Exceptional curtailment credit	17.7	-
Actuarial movement on scheme liabilities	(37.5)	(18.7)
Net benefits paid out	15.3	12.7
Present value of defined benefit obligation at 31 December	(547.7)	(511.5)

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

		2012 %	2011 %
Price inflation		3.00	3.00
Rate of increase in pensionable salaries		-	4.00
Rate of increase to pensions in payment		2.80	3.00
Inflationary increases to pensions in deferment		2.25	2.00
Discount rate		4.50	4.90
Long term rate of return	– equities	7.20	7.50
	– bonds	4.50	4.90
	– fixed interest gilts	-	2.50
	– index-linked gilts	3.00	2.50
	– cash and money market funds	2.50	2.50
	– overall (weighted average)	5.30	5.40

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

The group has updated the mortality assumptions to be in line with the assumptions proposed for the 1 June 2012 actuarial valuation. The group uses the S1PA standard tables as the basis for projecting mortality adjusted for the following factors:

- A 5% upwards adjustment to mortality rates for males and a 15% upwards adjustment for females is made in order to reflect lower life expectancies within the scheme compared to average pension schemes; and
- Future mortality improvements are in line with CMI 2011 projections with long-term trend improvements of 1.25% per annum.

In more simple terms, it is assumed that members who retire in the future at age 65 will live on average for a further 24 years if they are male (2011: 23 years) and for a further 26 years if they are female (2011: 25 years). If assumed life expectancies had been one year greater, the net retirement benefit asset would have been reduced by approximately £20m (2011: £20m).

7. Retirement benefit asset (continued)

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

	2012 £m	2011 £m
Actuarial movements on scheme assets	23.4	(18.4)
Actuarial movements on scheme liabilities	(37.5)	(18.7)
Actuarial movements recognised in the statement of comprehensive income in the year	(14.1)	(37.1)

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

	2012 £m	2011 £m
Profit after taxation	148.0	119.8
Adjusted for:		
– tax charge (note 3)	48.7	42.3
– finance costs	74.7	69.6
– share-based payment charge	6.4	8.0
– retirement benefit charge before exceptional pension credit (note 7)	4.2	0.4
– exceptional pension credit (note 7)	(17.7)	-
– amortisation of intangible assets	5.0	7.5
– exceptional impairment of goodwill (note 2)	2.1	-
– depreciation of property, plant and equipment	8.6	7.3
– loss on disposal of property, plant and equipment	0.1	0.2
Changes in operating assets and liabilities:		
– amounts receivable from customers	(181.1)	(113.4)
– trade and other receivables	(2.3)	0.9
– trade and other payables	3.0	8.2
– contributions into the retirement benefit scheme (note 7)	(10.1)	(10.0)
– derivative financial instruments	-	(2.1)
Cash generated from operations	89.6	138.7

Information for shareholders

1. The shares will be marked ex-dividend on 22 May 2013.

2. The final dividend will be paid on 21 June 2013 to shareholders on the register at the close of business on 24 May 2013. Dividend warrants/vouchers will be posted on 19 June 2013.

3. The 2012 annual report and financial statements together with the notice of the annual general meeting will be posted to shareholders on or around 2 April 2013.

4. The annual general meeting will be held on 9 May 2013 at the head office of Provident Financial plc, No. 1 Godwin Street, Bradford, BD1 2SU.