PFG | Provident Financial Group

PROVIDING CREDIT TO THOSE WHO WOULD OTHERWISE BE FINANCIALLY EXCLUDED

Annual Report and Financial Statements 2015

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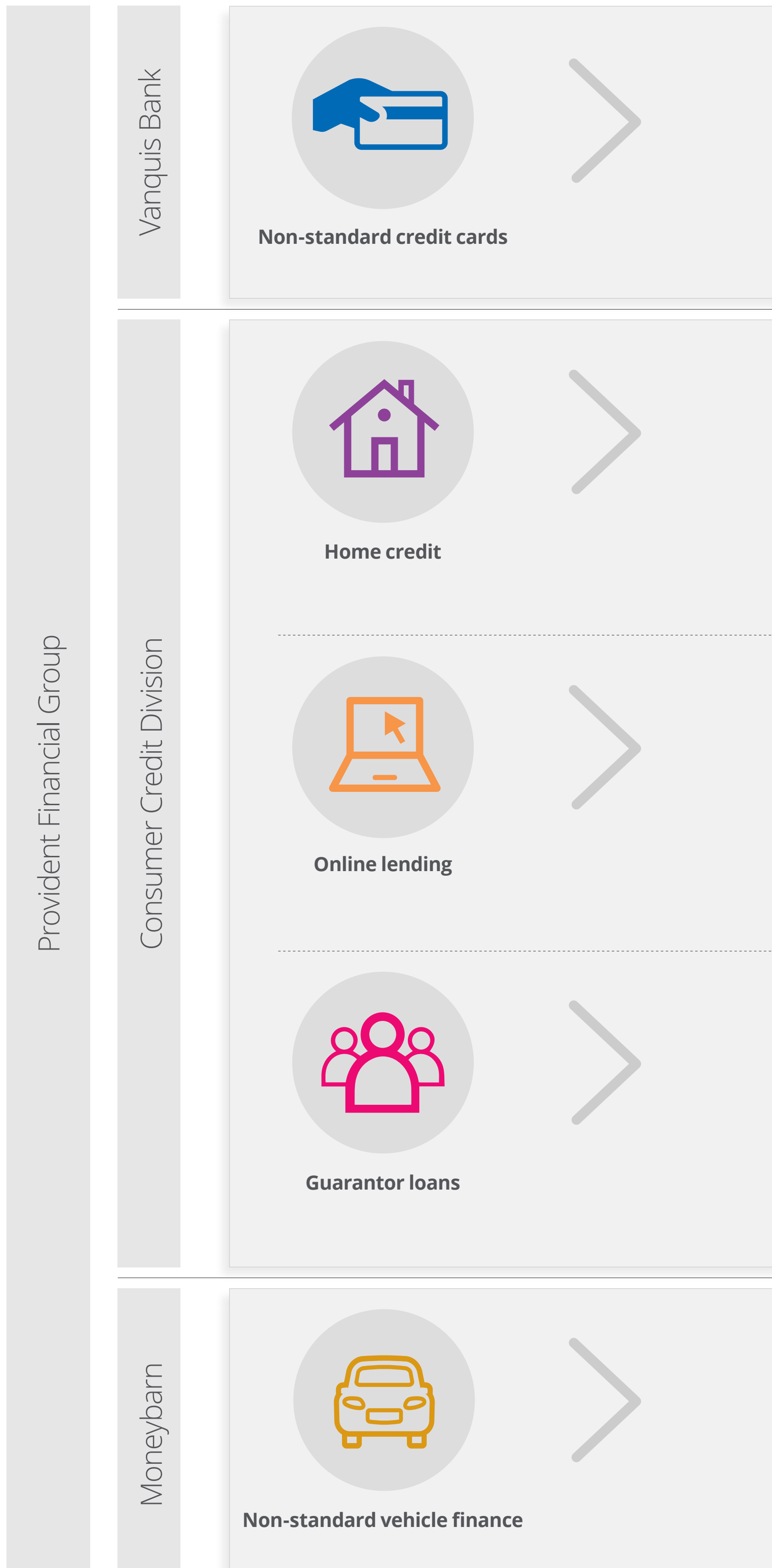
Cautionary statement
All statements other than statements of historical fact included in this document, including, without limitation, those regarding the financial condition, results, operations and business of Provident Financial plc and its strategy, plans and objectives and the markets in which it operates, are forward-looking statements. Such forward-looking statements which reflect the directors' assumptions made on the basis of information available to them at this time, involve known and unknown risks, uncertainties and other important factors which could cause the actual results, performance or achievements of Provident Financial plc or the markets in which it operates to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Nothing in the document shall be regarded as a profit forecast and its directors accept no liability to third parties in respect of this report save as would arise under English law. In particular, section 463 of the Companies Act 2006 limits the liability of the directors of Provident Financial plc so that their liability is solely to Provident Financial plc.

Our mission

TO BE THE LEADING NON-STANDARD SPECIALIST LENDER IN OUR CHOSEN MARKETS, ACTING RESPONSIBLY IN ALL OUR RELATIONSHIPS AND PLAYING A POSITIVE ROLE IN THE COMMUNITIES WE SERVE.

At a glance

The group has three divisions, covering five different areas of the non-standard market.



1 Before exceptional costs and, in respect of Moneybarn, prior to the amortisation of acquisition intangibles.
2 Represents CCD as a whole.
3 Acquired in August 2014.

VANQUIS BANK

Vanquis Bank

Est 2002

Vanquis Bank is the leading supplier of credit cards in the non-standard credit market. We provide new customers with a low credit limit and only increase it when we have sufficient experience of the customer handling their account responsibly. We maintain a high level of contact with customers, from the initial call welcoming the customer to Vanquis Bank and continuing throughout our relationship.

↑ 1.4m
UK customers

1,386
Employees

£185.5m
UK profit before tax

£250–£3,500
Range of credit limits

Read more on Vanquis Bank on pages 26 to 31

Provident EST 1880

Provident

Est 1880

Provident offers home credit loans, typically of a few hundred pounds, through a network of 5,500 local agents who call each week at 0.9 million customers' homes in the UK and Ireland. Agents are primarily paid commission on what they collect, not what they lend, so it is in their interest not to lend more than customers can repay. The total amount repayable is fixed at the outset, so there are no extra charges whatsoever.

↔ 0.9m
Customers

2,160
Employees[2]

£105.4m
Profit before tax[1,2]

£100–£2,000
Loan range

Read more on Provident on pages 34 to 37

Satsuma® loans.co.uk

Satsuma

Est 2013 (Start up)

Satsuma is our online instalment loan product. We give new customers a small-sum, short-term loan and collect repayments by continuous payment authority once a week, on a day agreed with the customer. Just like our other businesses we adopt a low and grow approach to lending. Our UK-based call centre is always there to discuss any issues customers may have. Just like our home credit product, the total amount repayable is fixed at the outset, so there are no extra charges whatsoever.

↑ 49,000
Customers

£100–£1,000
Loan range

Read more on Satsuma on pages 40 to 43

glo
THE GUARANTOR LOAN OPTION

glo

Est 2014 (Start up)

glo is our guarantor loans product serving customers who are unable to access mainstream credit from banks and building societies with larger amounts of affordable credit over longer durations. The loan is guaranteed by a family member or friend with a sound credit record who supports the customer if their circumstances change.

↑ 4,000
Customers

£1,000–£7,000
Loan range

Read more on glo on pages 44 to 46

moneybarn credit you can trust

Moneybarn

Est 1992[3]

Moneybarn is the market leader in the provision of vehicle finance for people in the non-standard credit market. Moneybarn is able to help those who may have had problems with credit in the past but who are now over them to get to work, take their children to school and live their lives.

↑ 31,000
Customers

151
Employees

£21.3m
Profit before tax[1]

£4,000–£25,000
Loan range

Read more on Moneybarn on pages 52 to 56

Overview

The markets we serve

The UK non-standard credit market is made up of around 12 million people who, for a variety of reasons, from relatively low income to a poor credit history, are not well served by the mainstream credit market's products and services.

Our customers look for:

Smaller sums – typically less than a mainstream provider would lend.

High levels of contact with their lender – our customers like someone to talk to about their loan.

Understanding – our customers usually have little leeway in their income, so, if they experience problems during the term of their loan, want to talk to someone who understands their situation and can offer a solution. With some of our products this can even mean the ability to reschedule repayments at no extra cost to the customer whatsoever.

2.4m
Number of customers

3,758
Number of employees

5,500
Number of self-employed agents

£2.0bn
Year-end receivables

£135.5m
Total tax contribution*

£3.1m
Community investment

* Comprises both direct and indirect tax contribution.

Our social purpose and investment case

No business can operate sustainably in today's world without a compelling social purpose.

Provident Financial's social purpose is financial inclusion for those who are not well served by mainstream credit products or are excluded altogether.

To do this, we provide non-standard credit customers with appropriate amounts of credit, maintain close contact with them throughout the term of their loan and work with them sympathetically if they experience difficulties. Terms and conditions are designed to meet their particular needs and rigorous checks are made to ensure that customers can afford the repayments. We have been doing this successfully since 1880.

To assist with this social purpose we have five core values which run throughout each of our divisions:

Fair
We are fair and reasonable in our dealings with stakeholders.

Responsible
We conduct our business dealings responsibly and ensure that we have a positive impact on the environment and communities we serve.

Accessible
We provide our customers with access to products that meet their needs.

Straightforward
We are straightforward, open and honest in all our dealings.

Progressive
We anticipate and respond to the challenges of a changing world.

The investment case for Provident Financial is very attractive:

- Leaders in the non-standard credit market will be larger, well-funded specialist lenders with sustainable business models like us.
- We have an attractive mix of businesses which deliver attractive growth and returns over the medium-term and exhibit low volatility through the economic cycle.
- We have a significant competitive advantage in the areas of technology, marketing, underwriting and collections.
- Tougher regulation and transition to the Financial Conduct Authority (FCA) is causing dislocation in the non-standard credit market which provides new opportunities for responsible lending businesses such as Provident Financial.
- Our management teams are highly skilled and experienced, particularly in serving the non-standard credit market.
- We have a robust balance sheet and prudent funding.
- We generate sufficient capital to support planned growth and business development without compromising our progressive dividend policy.

Overview

Generating consistent returns

We have consistently delivered strong returns and sustainable growth since the demerger of our international business in 2007. Our success can also be measured by our high levels of customer satisfaction and the wider contribution we make to society through our corporate responsibility programme.

Adjusted profit before tax[1] (£m)

£292.9m
↑ 25.0%

2015	292.9
2014	234.4
2013	196.1
2012	178.4
2011	157.2

Adjusted earnings per share[1] (p)

162.6p
↑ 22.6%

2015	162.6
2014	132.6
2013	112.0
2012	100.4
2011	86.9

Statutory profit before tax (£m)

£273.6m
↑ 21.8%

2015	273.6
2014	224.6
2013	182.4
2012	194.0
2011	157.2

Basic earnings per share (p)

151.8p
↑ 20.0%

2015	151.8
2014	126.5
2013	104.2
2012	108.9
2011	86.9

Dividend per share (p)

120.1p
↑ 22.6%

2015	120.1
2014	98.0
2013	85.0
2012	77.2
2011	69.0

Dividend cover[1] (times)

1.35 times

2015	1.35
2014	1.35
2013	1.32
2012	1.30
2011	1.26

Gearing (times)

2.2 times

2015	2.2
2014	2.4
2013	3.0
2012	3.2
2011	3.2

Return on assets[2] (%)

16.1%

2015	16.1
2014	15.1
2013	14.2
2012	14.5
2011	14.2

Customer numbers ('000)

2.4m

2015	2,400
2014	2,445
2013	2,635
2012	2,738
2011	2,520

Community investment (£m)

£3.1m

2015	3.1
2014	2.4
2013	2.0
2012	1.9
2011	1.6

Employee costs (£m)

£167.7m

2015	167.7
2014	158.4
2013	158.6
2012	127.0
2011	135.7

Total tax contribution[3] (£m)

£135.5m

2015	135.5
2014	124.5
2013	109.3
2012	110.2
2011	102.4

1 Stated prior to the amortisation of acquisition intangibles and exceptional costs.
2 Adjusted profit before interest after tax as a percentage of average receivables.
3 Comprises both direct and indirect tax contributions.

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Strategic report

Chief Executive's review

What we do and why we are successful

2015 has been another excellent year for the group. Our financial performance has been very strong and we have made further great progress in developing the group into a broader lending business within the non-standard credit market, providing much needed access for those who would otherwise be financially excluded.

Peter Crook
Chief Executive

93%
Home credit customer satisfaction

22.6%
Increase in dividend per share

88%
Vanquis Bank customer satisfaction

41%
Total shareholder return in 2015

We are the leading non-standard lender in the UK

Our mission is to remain the leading non-standard specialist lender in our chosen markets, acting responsibly in all our relationships and playing a positive role in the communities we serve.

The UK non-standard credit market comprises around 12 million people. Non-standard credit customers may have relatively low or average incomes, a poor credit history because of past problems, a limited credit history, or no credit history at all. For these reasons, they would not normally be accepted by a mainstream lender, or mainstream credit products would not suit their particular needs.

PFG has a very long track record of successfully serving non-standard consumers. We are successful because we have a sustainable business model which ensures that we lend responsibly and deliver the best possible outcomes for our customers. There are four fundamental attributes which differentiate us from other businesses and other lending models and enable us to deliver high levels of customer satisfaction and strong returns for our shareholders.

1. We focus solely on serving the non-standard credit market:

We provide much needed access to credit for those who might otherwise be financially excluded. We have been doing this for 135 years and are proud of what we do. Our customers can be sure that when they borrow from us, they are dealing with a business that genuinely understands them and can use its significant knowledge and experience, built over decades, to serve them in the best possible way.

2. We lend responsibly, meeting the specific needs of consumers in the non-standard market:

We lend responsibly by offering simple and transparent products with no hidden charges. Our manageable weekly or monthly payments ensure that our products are affordable. We do this by using our knowledge and expertise to deliver credit products across all our businesses which are tailor-made to meet the particular needs of our customers.

3. We have a tailored business model to serve non-standard consumers:

We maintain close contact with our customers throughout our relationship with them. Whether it's the weekly home visit by an agent in home credit, the welcome call in Vanquis Bank or through our various contact centres, we make sure that customers always have someone to talk to. When customers get into difficulty, we have active and personalised approaches to helping them get back on their feet, including a range of forbearance measures. Customers know that they'll get a sympathetic and appropriate response from Provident Financial.

4. We have a robust funding model:

We have developed a funding model whereby we borrow long but lend short. Our funding sources are diverse, ensuring that we are not overly reliant on one funding source and that we will be able to serve our customers through the economic cycle.

These four attributes mean that we lend responsibly to our customers, receive high customer satisfaction levels of around 90% and have been able to deliver strong growth in both earnings and dividends. In summary, we are very good at what we do and I am proud of the service we give our customers and the positive contribution we make to society and all our stakeholders.

2015 was a very successful year for the group

2015 has been an excellent year both in terms of performance and the development of the group. We have delivered adjusted EPS growth of 22.6% which has enabled us to increase the full-year dividend by 22.6%. It is not only our strong performance which is pleasing. I am delighted with the progress each business has made during the year.

Vanquis Bank has once again been the star performer, growing UK profits by 22.8% to £185.5m. Continued investment in the customer acquisition programme has generated record new account bookings of 433,000, up from 430,000 in 2014. Vanquis Bank now serves 1.4 million customers with a receivables book of £1.25bn as more and more non-standard consumers are valuing the utility of owning a credit card in today's modern, digital age. Our high level of service throughout the customer journey ensures that our customer satisfaction level of 88% remains significantly higher than mainstream banks.

Michael Lenora, Managing Director of Vanquis Bank, has decided to retire on 30 June 2016. The board wishes to thank Michael for his leadership of the business since 2007 and delivery of a sustained period of growth and profitability. The board is pleased that, having received the appropriate regulatory approvals, Chris Sweeney joined the group on 1 January 2016 as the new Managing Director of Vanquis Bank. He was previously the Group Executive, Cards and Payment Solutions at Standard Bank operating in 18 countries and served as Chairman of Standard Bank's offshore businesses. Chris brings a wealth of experience in credit cards and retail banking and is an excellent appointment to lead Vanquis Bank through its next stage of development. This will include examining additional distribution and product propositions.

Vanquis Bank remains the group's most significant driver of growth. Receivables are firmly on track to reach our guidance of up to £1.8bn from the existing business and product proposition, an uplift of up to 40% from today's levels.

The Consumer Credit Division (CCD) has made further good progress in executing on its strategic plan to develop a broader based lending business at the same time as delivering profits of £105.4m, up 1.4% on 2014. The repositioning of home credit as a smaller, better-quality, more cost-efficient business focused on returns is complete and good progress continues to be made in developing CCD's online direct repayment loan product, Satsuma, which we expect to produce a small contribution to CCD's profits in 2016. The guarantor loan pilot, glo, has progressed well, and confirmed the market opportunity to develop a business capable of delivering the group's target returns. As a result, the decision has been made to proceed from pilot to a full roll-out during 2016. Subject to regulatory approval, we also plan to transfer the operation from CCD to Vanquis Bank in due course in order to allow CCD to focus on home credit and Satsuma and to allow glo to benefit from the credit, marketing and collections skills within Vanquis Bank which are well-matched to developing the guarantor loans opportunity.

Moneybarn, the UK's leading non-standard vehicle finance business has enjoyed strong new business volumes in its first full year following acquisition. Access to the group's funding and extension of the product offering to lend up to retail value of the vehicle has enabled the business to generate new business volumes 69% higher than 2014. The business now has customer numbers of 31,000 and a receivables book of £219.6m, up from 19,000 and £131.2m on acquisition in August 2014. The business is well on track to reach its medium-term potential of receivables of between £300m and £400m. 2015 profits of £21.3m were 42.0% higher than 2014 pro forma full-year profits.

+

Strategic report

Chief Executive's review (continued)

Our growth potential

	Product	Established	2015 ROA[1]	2015 receivables	Medium-term growth potential
Vanquis Bank	Credit cards	2002	15.8%	£1,252.0m	Up to 1.8 million customers with an average balance of £1,000.
Provident	Home credit	1880	21.2%[2]	£522.2m	High returns business with large market share but modest growth potential.
Satsuma	Online loans	Start-up in 2013		£12.1m	£300m + receivables.
glo	Guarantor loans	Start-up in 2014		£10.8m	
Moneybarn	Vehicle finance	1992[3]	12.9%	£219.6m	£300m to £400m receivables.

1 Profit before interest after tax as a percentage of average receivables. 2 Returns for CCD as a whole. 3 Acquired in August 2014.

A compelling investment proposition

PFG provides shareholders with a combination of strong returns, an attractive dividend policy and visible growth.

We apply exacting standards in allocating capital to organic and acquisition opportunities. We invest in businesses that:

1. Generate **high returns** in order to provide high returns to our shareholders. High returns are available in the non-standard market to those businesses with the right business model which focuses on delivering the highest possible customer outcomes.

2. Are **sustainable** and maintain high levels of regulatory compliance at all times. This has never been more important than now, under the tougher regulatory regime of the Financial Conduct Authority (FCA).

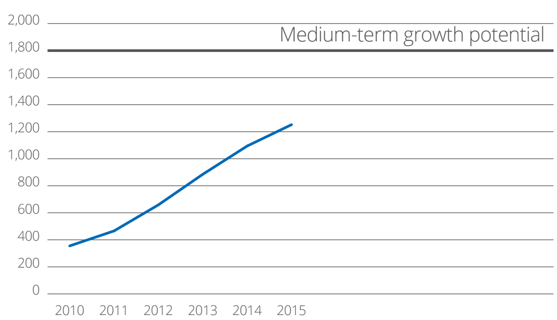
3. Have **good growth potential**. Vanquis Bank, Moneybarn, Satsuma and glo all have excellent growth opportunities in their respective parts of the non-standard credit market. Whilst Provident, our home credit business, is mature, it is a profitable, cash generative businesss which has the ability to deliver modest growth.

4. Enjoy a **strong market position**. We want to have a top-3 market position in all of our chosen markets so that we can develop the market in a responsible manner.

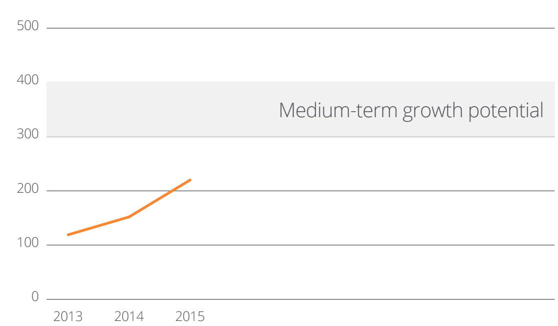
5. Have **good management and cultural fit**. We recruit talented people who share our passion of lending a hand where others do not, and seeking to increase financial inclusion for customers in the non-standard credit market.

By applying these standards, we have established a strong and complementary group of businesses which deliver high returns and offer attractive growth potential. Our medium-term growth potential for each of our businesses was established in the second quarter of 2015 and are set out above. We view medium-term as a period of between three and five years, although we will not pursue growth at the expense of reducing returns below our minimum acceptable returns. Overall, the group's medium-term potential is to build group receivables up to £3bn, generating an ROA of up to 15%.

Vanquis Bank – Good progress towards medium-term growth potential
Receivables (£m)



Moneybarn – Good progress towards medium-term growth potential
Receivables (£m)

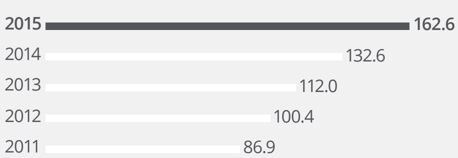


Our financial model

Strong, profitable growth...

Adjusted earnings per share (p)

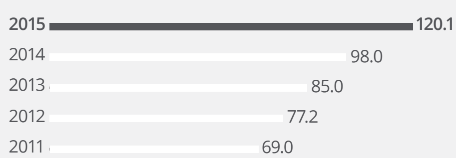
CAGR = 17.0%



...with a progressive dividend

Dividends per share (p)

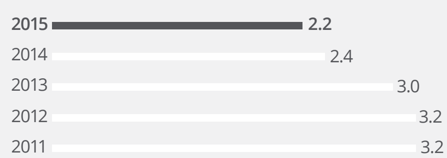
CAGR = 14.9%



...whilst maintaining a robust balance sheet

Gearing (times)

2.2



Promotion to the FTSE 100

It was extremely pleasing to see the group promoted to the FTSE 100 on 21 December 2015. The group's total shareholder return (TSR) since the demerger of the international business in 2007 has been £31 per share or annualised TSR growth of 19%. This represents a fantastic achievement from all of our employees who do such a great job serving our customers on a daily basis.

Looking forward to 2016

Vanquis Bank continues to deliver strong growth and financial returns and remains firmly on track to achieve the medium-term potential of up to 1.8 million customers with an expected average balance of approximately £1,000.

CCD has delivered in full on its plans to maintain profits whilst repositioning the Provident home credit business and funding the start-up of its Satsuma online business. The repositioning of Provident as a smaller, better-quality, more cost-efficient business focused on returns is complete. It is delivering strong returns and the business is now generating year-on-year growth in sales. Demand for online direct repayment products is strong and the medium-term growth opportunity is substantial. 2016 will see Satsuma expand its product proposition beyond its short-term weekly instalment product and it is expected to make a small contribution to CCD's profits. The pilot of the glo guarantor loans product has defined a sustainable proposition that is matched to an attractive market opportunity capable of delivering the group's target returns. The business plan to roll out glo during 2016 is now in place.

Moneybarn has achieved a very significant uplift in new business volumes, supported by access to the group's funding lines. This has reinforced its primacy across the broker network which, when combined with product development opportunities, leaves the business well-positioned to deliver strong medium-term growth at the group's target returns.

The group's funding and liquidity positions are strong, allowing it to meet contractual debt maturities and fund its internal growth plans through to May 2018.

From 1 January 2016, the group's tax charge will reflect the bank corporation tax surcharge of 8% on Vanquis Bank's profits in excess of £25m.

The group has made a good start to 2016. Vanquis Bank and Moneybarn have continued to trade strongly and the home credit business has enjoyed a very satisfactory collections performance.

Peter Crook
Chief Executive

Strategic report

Our business model

How we operate across our products and services

How we create value

Secure longer-term, lower rate funding

> Borrow long and lend short.
> Maintain diverse range of funding sources.
> Maintain borrowing facilities to provide headroom for the following 12 months.
> Investment grade credit of BBB with a stable outlook.
> Strong relationships with core banks.

Develop tailored products to meet customers' needs

> Provide financial access for those who would be otherwise financially excluded.
> Simple, transparent products.
> 135 years of serving non-standard customers.
> High levels of customer satisfaction.
> Specialist business model.

Attract target customers

Typical customer:
> Mixed employment status.
> Low to average incomes.
> Limited indebtedness.
> Live in rented accommodation or social housing.
> Average age of between 25 and 50 years old.

Channels to market:
> Multi-channel approach – Business to Consumer (B2C), Business to Business (B2B).
> Strong brand loyalty.
> Marketing expertise.
> Broker relationships.

Assess affordability and credit worthiness

> Bespoke underwriting developed over a number of years.
> Use of external bureau data to supplement in-house data.
> Leading-edge technology.
> Strong data analytics based on long history.
> Specialists in assessing non-standard consumers.

Lend responsibly

> Small-sum, short duration.
> 'Low and grow' approach to lending. Starting customers on low amounts before growing lending as customers demonstrate they can manage repayments.
> High standards of regulation and compliance.
> Affordable weekly/monthly repayments.
> No hidden charges.

Collect repayments due

> Maintain regular and close contact with customers.
> High-tech contact centres.
> Experienced and well-trained collections teams.
> Multiple methods of repayment.
> Compliant remuneration arrangements for contact centre staff and commission policies for home credit agents.

Manage arrears and customer difficulties

> Regular contact and ongoing dialogue throughout the customer journey.
> Multiple forbearance methods.
> Sympathetic approach.

Pay for funds and generate surplus capital to deploy

> High ROA businesses generate surplus capital.
> Distribute 80% of earnings in dividends.
> 20% equity retained sufficient to fund future growth in receivables.
> Maintain low level of gearing at 3.5 times or below.

See how the model applies to each of our businesses in the divisional performance reviews.

Strategic report

Our strategy and performance

The group has four key strategic objectives which are measured through a number of key performance indicators (KPIs), both financial and non-financial.

1 Growing high-return businesses in non-standard markets

2 Generating high shareholder returns

3 Maintaining a secure funding and capital structure

4 Acting responsibly and with integrity in all we do

Our KPIs are helpful in assessing progress but are not exhaustive as management also takes account of a wide range of other measures in assessing performance.

1

Growing high-return businesses in non-standard markets

> Maintain strong growth in Vanquis Bank within the UK non-standard credit card market, whilst seeking opportunities to utilise the existing business model to expand into other markets and products;

> Maximise returns within the Provident home credit business whilst developing the Satsuma online loans business to generate sustainable growth;

> Develop the glo guarantor loans business to be capable of delivering the group's target returns;

> Continue to unlock the growth potential within Moneybarn in the non-standard vehicle finance market; and

> Extend our product offerings to ensure that we have the appropriate range of products for our chosen markets.

KPI descriptions:

Adjusted profit before tax – Profit before tax, the amortisation of acquisition intangibles and exceptional costs.

Return on assets (ROA) – Adjusted profit before interest after tax as a percentage of average receivables.

Return on equity (ROE) – Adjusted profit before tax as a percentage of average equity. Equity is stated after deducting the group's pension asset, net of deferred tax, the fair value of derivative financial instruments, and the proposed final dividend.

Risk-adjusted margin (RAM) – Revenue less impairment as a percentage of average receivables.

Adjusted earnings per share – Profit after tax, excluding the amortisation of acquisition intangibles and exceptional costs, divided by the weighted average number of shares in issue, excluding own shares held by the group.

Dividend per share – The total dividend per share, comprising the interim dividend per share paid and the proposed final dividend per share.

Gearing – Borrowings (based on contracted rates of exchange and excluding deferred arrangement fees) less the liquid assets buffer, including liquid resources, divided by equity. Equity is stated after deducting the group's pension asset, net of deferred tax and the fair value of derivative financial instruments, in line with the group's banking covenants.

Customer satisfaction – The percentage of customers surveyed who are satisfied with the service they have been provided with.

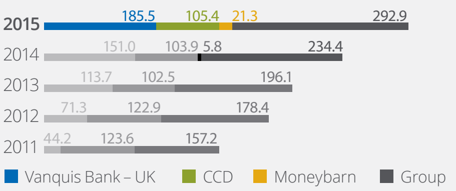
Community investment – The amount of money invested in support of community programmes, money advice programmes and social research.

Total shareholder return – The change in the group's share price, together with any dividend returns made to shareholders.

Strategic report

Our progress in 2015

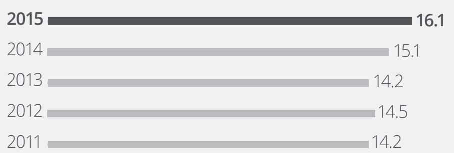
Adjusted profit before tax (£m)



Group profit before tax up 25.0% to £292.9m (2014: £234.4m):

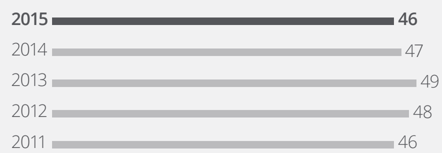
- Continued strong growth and favourable margins at Vanquis Bank generated a 22.8% growth in UK profit before tax to £185.5m (2014: £151.0m);
- CCD delivered a modest increase in profits to £105.4m (2014: £103.9m) reflecting the impact of improved margins and cost reductions in home credit offsetting the impact of a 7.3% reduction in the receivables book and continuing investment in Satsuma and glo; and
- Good performance from Moneybarn, contributing a profit before tax of £21.3m in its first full year since acquisition (2014: £5.8m in the four months post-acquisition).

Group ROA (%)



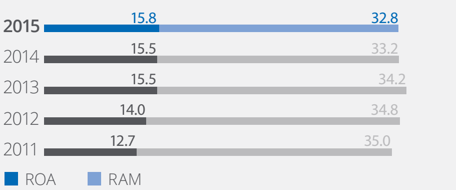
Higher group ROA of 16.1% (2014: 15.1%), primarily reflecting improved returns at CCD.

Group ROE (%)



ROE of 46% (2014: 47%), marginally lower than 2014 due to the full-year impact of the £120m equity raised to fund the Moneybarn acquisition.

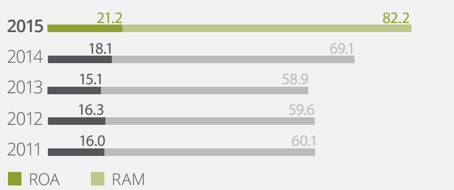
Returns – Vanquis Bank – UK (%)



Moderation in the RAM to 32.8% (2014: 33.2%) reflects the ongoing impact of the reduction in the revenue yield following the changes made to the Repayment Option Plan (ROP) product in mid-2013 and reduced interchange income following European legislation reducing interchange fees.

Continued strong returns, delivering a modest uplift in UK ROA of 15.8% (2014: 15.5%), with the benefit of operational leverage more than offsetting the reduction in the RAM.

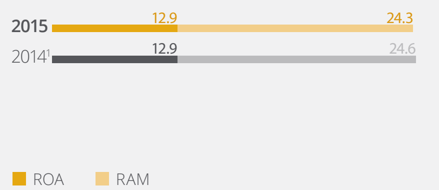
Returns – CCD (%)



Significant uplift in the RAM to 82.2% (2014: 69.1%) due to the marked improvement in the quality of the receivables book from tighter underwriting and the drive to implement standardised arrears and collections processes.

ROA strengthened to 21.2% (2014: 18.1%), resulting from completion of the transition of the home credit business to a smaller but leaner, better-quality, more cost-efficient business focused on returns.

Returns – Moneybarn (%)



Stable RAM and ROA of 24.3% (2014: 24.6%[1]) and 12.9% (2014: 12.9%) with the business investing in headcount to support the future growth of the business.

1 Represents pro forma full-year results restated to apply the group's lower cost of funding to pre-acquisition results.

Our focus for 2016

Vanquis Bank

Continue to invest in the customer acquisition programme, to progress the business towards its medium-term guidance of up to 1.8m customers with an average balance of £1,000.

Further develop channels to market, the product proposition and potential other revenue sources.

Maintain a tight stance on underwriting and credit line increases.

Deliver a RAM in the range of 31% to 32%, after allowing for the impact of the changes made to the ROP product in the third quarter of 2013 and European legislation reducing interchange fees in 2015.

Roll out the glo guarantor loans product, following a successful pilot in 2015.

Obtain the change of permission approval from the FCA.

CCD

Continue to increase the efficiency of the home credit business through the better use of technology.

Continue to develop the product and marketing proposition and governance and controls in Satsuma to capture the growth opportunity available in the online instalment loans market and deliver a small contribution to CCD profits.

Maintain a stable RAM by adopting a tight underwriting stance and further embedding the standardised collections and arrears management processes.

Maintain tight cost control, subject to investment in business development activities.

Seek to grow overall divisional profits.

Obtain full authorisation from the FCA.

Moneybarn

Continue to capture the growth opportunity in the non-standard vehicle finance market by growing the customer base.

Invest in the cost base to support growth, strengthen governance and controls and develop the product proposition.

Continue to investigate and test product extensions beyond the current model, including lower value vehicles, commercial vehicles and relationships with prime finance businesses.

Maintain at least stable returns whilst growing profits.

Obtain full authorisation from the FCA.

Strategic report

Our strategy and performance (continued)

2

Generating high shareholder returns

> Generate sustainable growth in profits and dividends to deliver increasing shareholder returns; and

> Maintain a dividend cover of at least 1.25 times.

Our progress in 2015

Adjusted earnings per share (p)

2015	**162.6**
2014	132.6
2013	112.0
2012	100.4
2011	86.9

Adjusted earnings per share up 22.6% to 162.6p (2014: 132.6p), a lower rate than the 25.0% growth in adjusted profit before tax as a result of the impact of the 5.9 million placement of shares for the acquisition of Moneybarn in August 2014, partly offset by the reduction in the statutory rate of UK corporation tax from 21% to 20% on 1 April 2015.

Dividend per share (p)

2015	**120.1**
2014	98.0
2013	85.0
2012	77.2
2011	69.0

Dividend per share increased by 22.6% to 120.1p (2014: 98.0p), supported by the group's growth in earnings and strong capital generation resulting in a dividend cover of 1.35 times (2014: 1.35 times).

Total shareholder return (%)

2015	**40.9**
2014	57.0
2013	25.4
2012	51.9
2011	15.1

Strong annual total shareholder return of 40.9% in 2015 (2014: 57.0%).

Our focus for 2016

> Deliver further earnings per share and total shareholder return growth.

> Maintain a minimum dividend cover of at least 1.25 times.

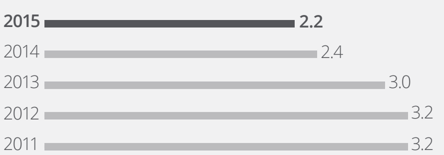
3

Maintaining a secure funding and capital structure

- > Maintain borrowing facilities which, together with Vanquis Bank's retail deposits programme, meet contractual maturities and fund growth over at least the next 12 months;
- > Maintain a maximum gearing ratio of 3.5 times to ensure alignment with the minimum dividend cover target of 1.25 times and the group's growth plans, whilst maintaining a comfortable surplus of regulatory capital over the capital requirements set by the Prudential Regulation Authority (PRA); and
- > Continue to diversify the group's sources of funding.

Our progress in 2015

Gearing (times)



Gearing reduced to 2.2 times (2014: 2.4 times) compared with a maximum target of 3.5 times and a banking covenant of 5.0 times. This reflects strong capital generation including the shrinkage of the home credit receivables book following the repositioning of the business.

Our focus for 2016

- > Maintain capital and gearing at prudent levels;
- > Continue to manage the flow of retail deposits in Vanquis Bank to ensure an appropriate amount of headroom is maintained on the group's committed facilities;
- > Review and consider issues into the retail bond and private placement markets to support growth in Moneybarn, Satsuma and glo; and
- > Manage regulatory capital and liquidity in accordance with PRA regulations.

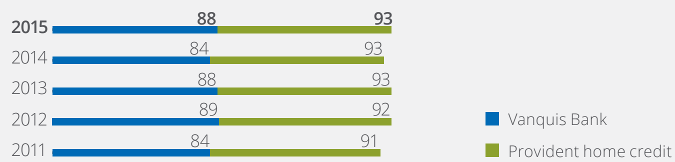
4

Acting responsibly and with integrity in all we do

- > Operating our core business of lending to our customers in a responsible and sustainable manner, putting their needs at the heart of everything we do;
- > Acting responsibly and sustainably in all our stakeholder relationships in order to:
  - – Create a working environment that is safe, inclusive and meritocratic;
  - – Treat our suppliers fairly; and
  - – Support our communities.

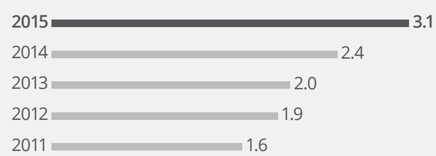
Our progress in 2015

Customer satisfaction (%)



Customer satisfaction of 93% for Provident home credit (2014: 93%), 88% for Vanquis Bank (2014: 84%) and 89% for Moneybarn in its first full year under the group's ownership.

Community investment (£m)



Invested a total of £3.1m in various community programmes, money advice programmes and social research (2014: £2.4m).

Our focus for 2016

- > Maintain or improve customer satisfaction levels in all businesses;
- > Maintain an investment of 1% of group profit before tax in the community through various community programmes, money advice programmes and social research; and
- > Continue to place positive customer outcomes at the forefront of our product and service offering.

Strategic report

The non-standard credit market

Overview

The group specialises in serving the needs of the approximately 12 million UK non-standard credit customers with a range of products from credit cards and car finance, to home credit and online unsecured and guarantor loans.

Non-standard credit customers typically have a poor credit history, or no credit history at all, or may have had past problems with credit, often due to periods of unemployment, family break-up, ill-health or the use of inappropriate mainstream credit offers.

Firms wanting to serve this market sustainably require a tailored approach to credit, usually focusing on lower amounts of credit for shorter terms initially, higher levels of customer contact and the use of a security or asset in some form linked to the provision of credit. Firms also need to be more flexible in dealing with non-standard customers who are more likely to run into repayment issues and require forbearance.

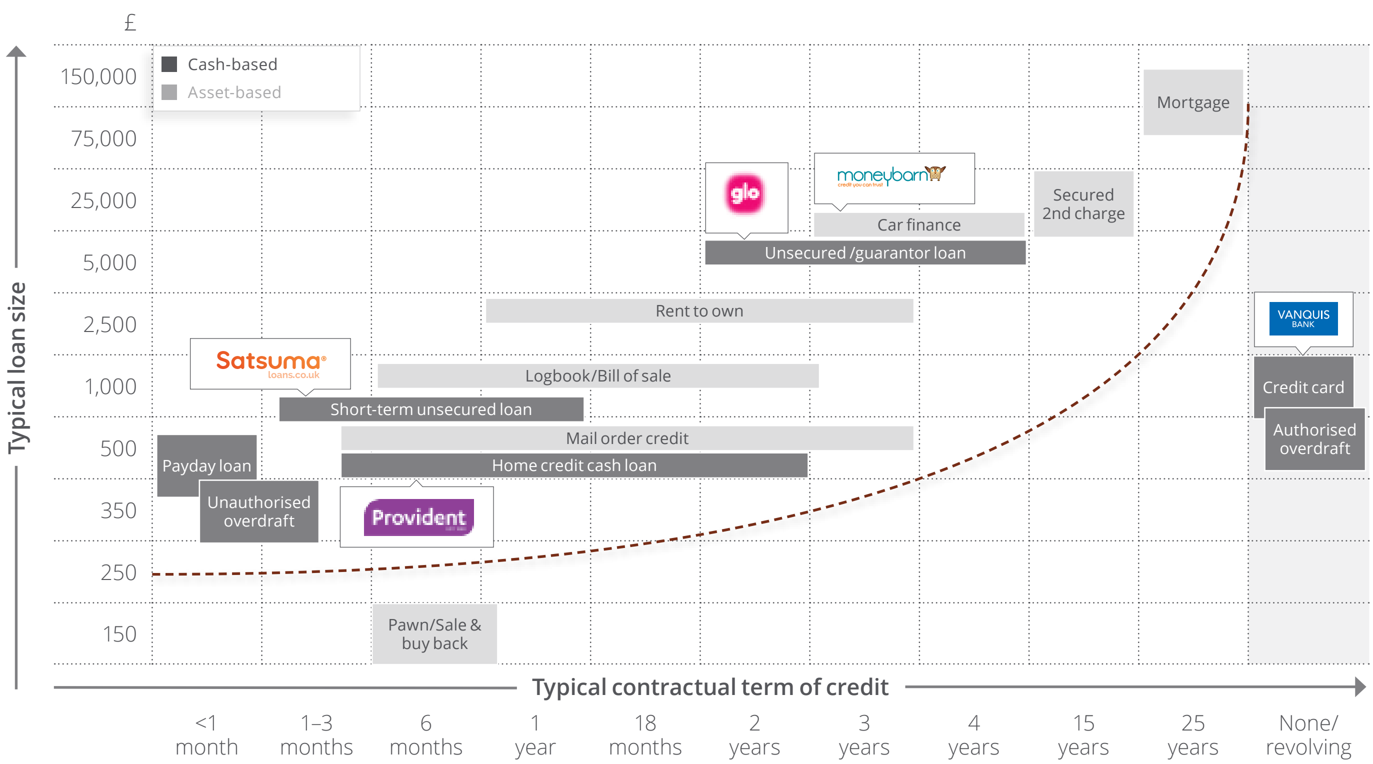
Business models in this sector therefore usually incur higher costs than more standardised and less flexible prime credit offers, resulting in the need to charge higher prices in order to generate acceptable returns for the risk that shareholders and investors take.

The UK non-standard credit market is more diverse in the types of credit offer than the prime market, reflecting the wider variety of customer needs and situations, as well as business models aimed at profitably serving the higher credit risk customer.

The diagram below provides an overview of the types of product offers common in the UK non-standard credit market, showing the typical loan sizes and terms of lending for each, and where the group's products sit in the market.

Typically, larger amounts are only viable over longer periods and often in relation to a product or asset purchase in order to improve the chances of repayment. The main exception is guarantor lending, where the guarantor, typically a relative or friend of the borrower, agrees to repay the loan should the borrower default.

UK non-standard credit market and PFG businesses



History indicates potential

Uncertainty remains as to the future size and shape of the UK non-standard credit market but this provides the group with significant opportunity, particularly with Satsuma and glo.

Pre-2000 Expansion of access to credit

Large, greater than £12bn annual non-standard unsecured instalment market develops, served by mainstream and specialist branch and direct/phone models.

Low headline prices with significant add-ons including PPI.

Consumers typically borrowing a few thousand pounds over a few years, often through brokers to consolidate (eg credit/store cards, overdrafts and mail order credit), to buy cars, to take holidays and to improve their homes.

2000-2007 Underlying issues emerge

Unsecured credit withdrawn progressively as issues arise with mainstream and specialist models (eg high loss rates, branch infrastructure costs, accounting for arrears, concern over PPI and charges).

For those not renting, secured lending (often through brokers) increases rapidly to fill the gap on the back of rapid house price inflation and 'light touch' regulation.

For renters, strong growth in overdraft availability and bank appetite encouraged by the government helps to fill the gap.

2007-2012 Post credit crunch short-term fix

Global credit crunch rapidly curtails secured lending and tempers bank overdraft risk appetite as large PPI fines and redress begin, and regulation tightens.

Consumers left with few options to fill genuine underlying ongoing credit needs that remain, beyond the excesses fuelled by the house price and secured finance bubble.

New model of payday lending emerges, especially online, to offer a short-term fix for consumers without access to increased help from friends and family.

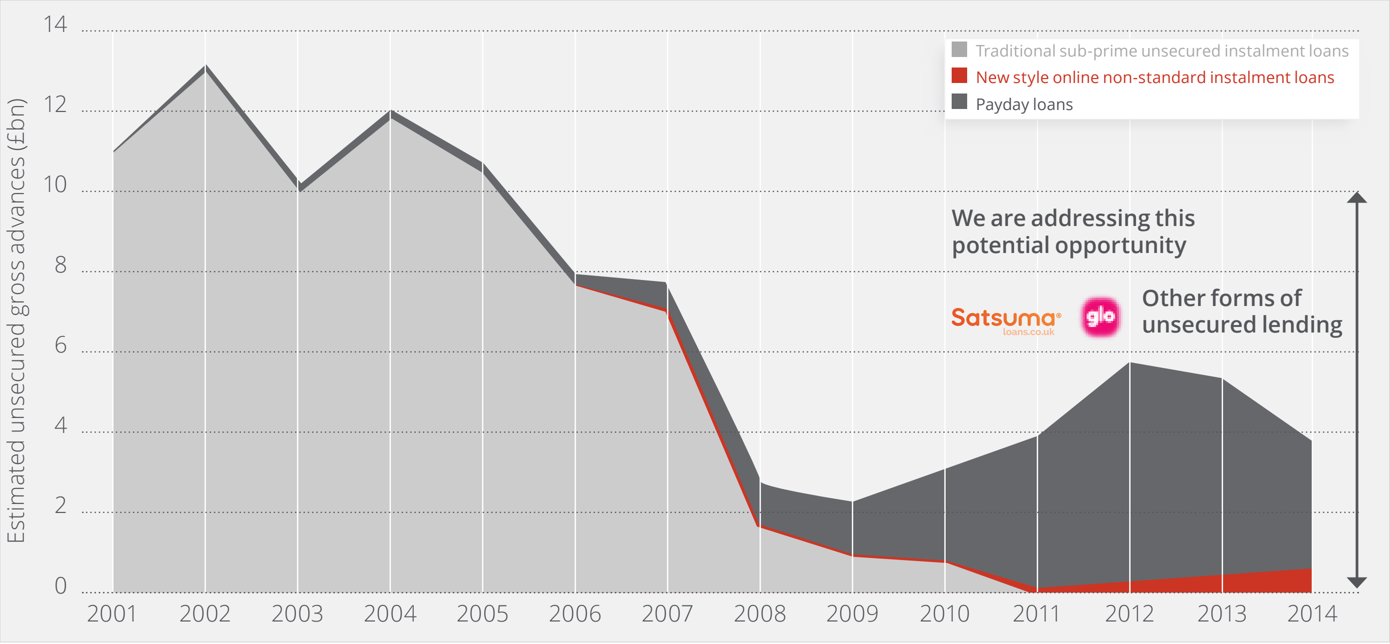
2012 onwards Regulated future

Regulators take action to protect consumers and curtail payday lending which is inappropriate for longer-term needs and not sustainable.

New models of online instalment lending begin to emerge with more transparent pricing and sustainable repayment schedules.

Limits to friends and family capacity encourages growth of guarantor lending in the absence of sufficient unsecured supply.

Potential for the market to grow back towards pre-credit crisis levels of c.£10bn as supply returns, which presents an attractive opportunity for Satsuma, glo and other longer-term unsecured loan products.



Source: PFG analysis based on Datamonitor, OFT, FCA, CMA, BBA, FLA, statutory filings, company announcements and press (excludes motor finance secured on the vehicle).

Strategic report

The non-standard credit market (continued)

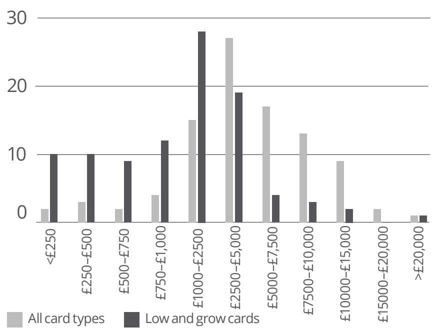
'Low and grow' credit cards

The non-standard credit card market is often referred to as 'low and grow', reflecting the nature of the product, where the customer's credit limit starts low, and grows through the offering of credit limit increases as customers manage their account well.

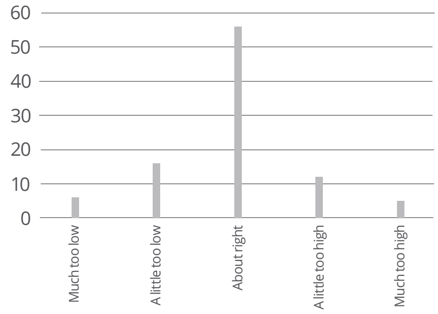
Non-standard customers' needs are served by specialists such as Vanquis Bank, as well as other providers who offer both prime and non-standard cards such as Capital One, NewDay and Barclaycard.

Low and grow customers want and are given lower initial credit lines that grow more slowly to lower maximum credit lines in order to maintain an affordable balance and customer control

Current credit limit on main card (%)



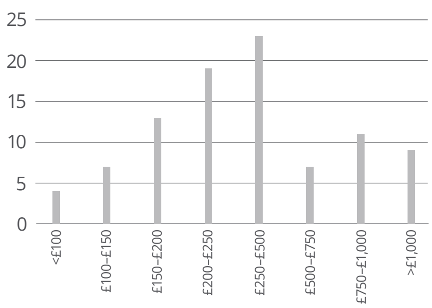
Feelings about current credit limit on low and grow card (%)



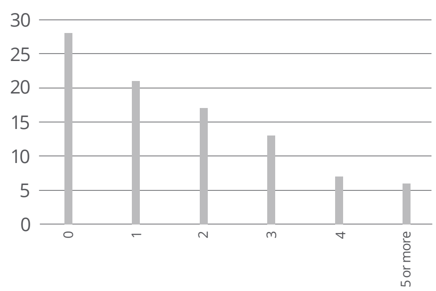
68% of low and grow customers felt that it was important to use a credit card with a low credit limit to avoid any risk of getting into debt.

69% of low and grow customers felt that it was important to be able to access increases in the credit limit to be able to build up a reasonable limit.

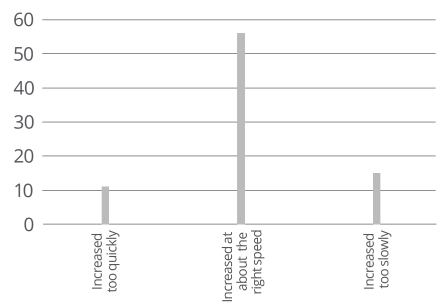
Initial credit limit on low and grow card (%)



Number of times credit limit increased on low and grow card (%)



Feelings about pace of credit limit change on low and grow card (%)



Source: FCA credit card market study: interim report, November 2015 (39,837 responses, of which 27,893 had a credit card).
Note: Low and grow is defined by the FCA as 'cards designed specifically for people with no/poor credit history'.

Vanquis Bank is the only specialist low and grow credit card issuer in the UK market, having entered the market relatively recently in 2003. The business operates across a wide spectrum within the non-standard credit card market with products ranging from 29.9% APR to 59.9% APR, with most products at 39.9% APR. Competitors do not tend to operate beyond 35.9% APR (see chart opposite). The Vanquis Bank credit card offers customers the same accessibility and security as any other credit card proposition, although it differs from other providers in that there are no balance transfer schemes, teaser introductory rates or reward or cash back schemes.

This simple product construct resonates strongly with Vanquis Bank's market segment, who tend to value simplicity and transparency over complex financial products. This is supported by a strong customer service proposition, delivered by Vanquis Bank's own customer service teams, located in Chatham and Bradford.

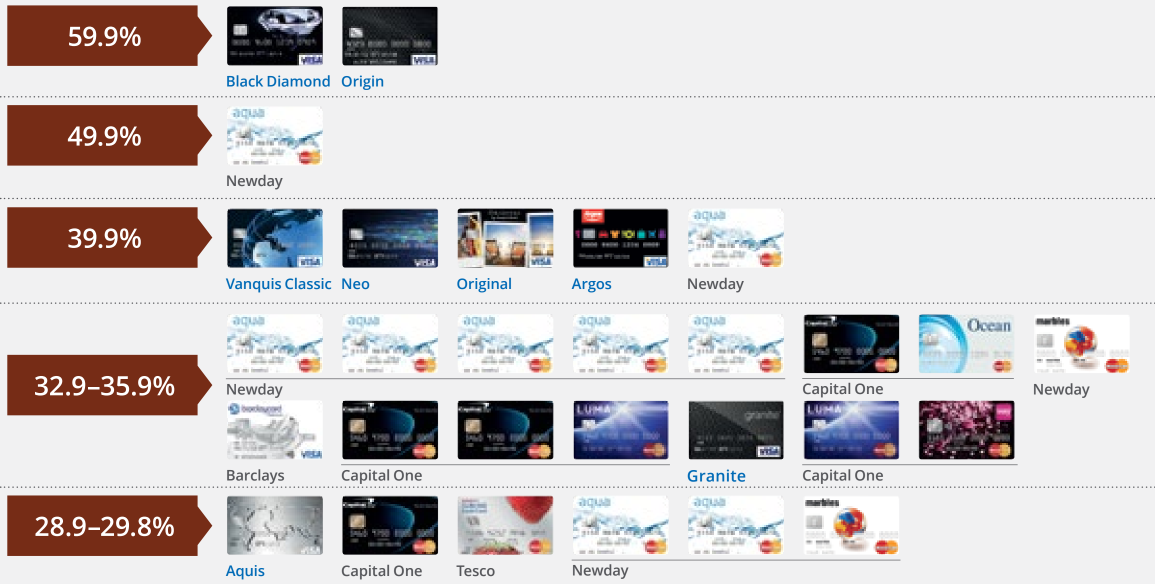
The other main competitors all have prime or near prime credit card businesses alongside their non-standard offer and many have been established in the market much longer than Vanquis Bank:

- Barclaycard was the first to launch a UK credit card in the 1960s and has a substantial prime and near prime credit card business in addition to its non-standard Initial card (introduced in 2002) aimed at those entering and re-entering the non-prime credit card market.
- Capital One entered the UK credit card market in the 1990s as a card specialist with no bank operations, serving a combination of prime borrowers and non-standard credit card holders in roughly equal proportions. It offers a range of credit cards under its own brand and partner brands for its low and grow propositions.
- NewDay entered the market just before Vanquis Bank with its Aqua low and grow card, but has since built a significant and more varied portfolio of more prime credit and store card customers mainly through acquisition.

These competitors tend to focus their customer acquisition programmes through online channels, primarily online aggregators and affiliates, whilst Vanquis Bank has a broader range of customer origination channels including online, direct mail and face-to-face.

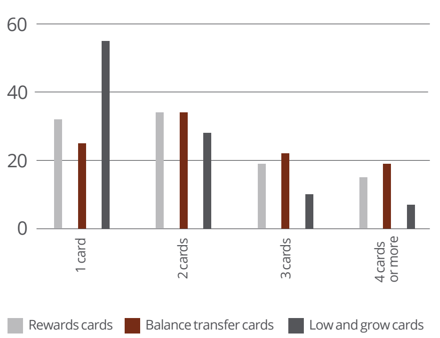
Credit cards in the non-standard sector

Vanquis credit cards

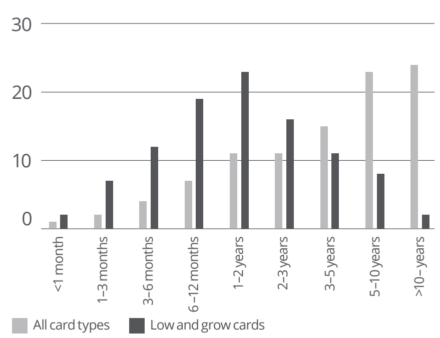


Low and grow customers have fewer cards focused on more temporary periods of lower spending

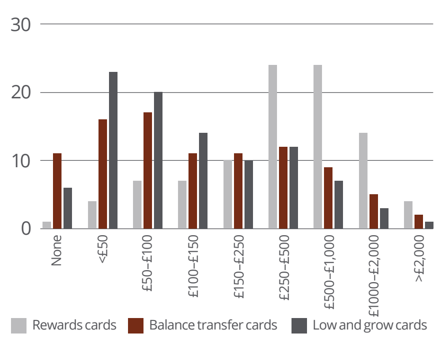
Number of credit cards held by segment (%)



Length of time had card (%)



Average monthly transaction spend on credit cards by segment (%)

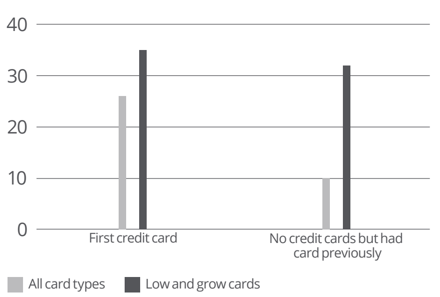


Source: FCA credit card market study: interim report, November 2015 (39,837 responses, of which 27,893 had a credit card).
Note: Low and grow is defined by the FCA as 'cards designed specifically for people with no/poor credit history'.

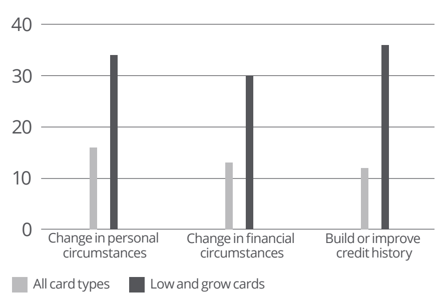
Vanquis Bank has been able to consistently book around 400,000 new card customers each year within this competitive environment in the UK. Industry data from Experian indicates that in 2015, Vanquis Bank recruited more new customers in the low and grow market segment than any other competitor, and issued 37% of all new low and grow accounts.

Low and grow customers want cards to enter or re-enter the market often to rebuild credit ratings after changes in personal and/or financial circumstances

Situation when taking main credit card (%)



Most important reason for taking main credit card (%)



85% of low and grow customers felt that it was important to improve their credit rating when taking out their card.

Source: FCA credit card market study: interim report, November 2015 (39,837 responses, of which 27,893 had a credit card).
Note: Low and grow is defined by the FCA as 'cards designed specifically for people with no/poor credit history'.

Attrition tends to average around 20% to 25% of existing card customers each year, less than 5% of whom leave voluntarily, with the remaining 20% being involuntarily, typically through managed repayment or write off. On average, customers typically stay with Vanquis Bank for four years. These dynamics underpin our current guidance for Vanquis Bank customers of up to 1.8 million in the medium term, at which point inflows of new customers each year will balance outflows.

Strategic report

The non-standard credit market (continued)

Regulatory change

From 1 April 2014, the Financial Conduct Authority (FCA) replaced the Office of Fair Trading (OFT) as the regulator of consumer credit in the UK. All consumer credit firms were required to submit applications for authorisation to the FCA prior to set deadlines. CCD and Moneybarn have obtained interim permissions under the new regime and submitted their applications for full authorisation in May 2015. Vanquis Bank is already an authorised firm but submitted its application for a variation of permissions in December 2014 and continues to operate under an interim Consumer Credit permission awaiting formal approval of its application. Whilst the outcome of the regulator's process of reviewing applications carries some inherent uncertainty, the group businesses continue to have a constructive dialogue with the FCA, responding to questions and information requests relevant to obtaining the necessary authorisations and change of permissions.

What does the new regulatory regime require?

Full formal governance structures for each authorised business, including divisional boards and committees with non-executive directors.

FCA-approved persons across key management functions in each division.

Robust risk management frameworks and processes, centred around conduct risk.

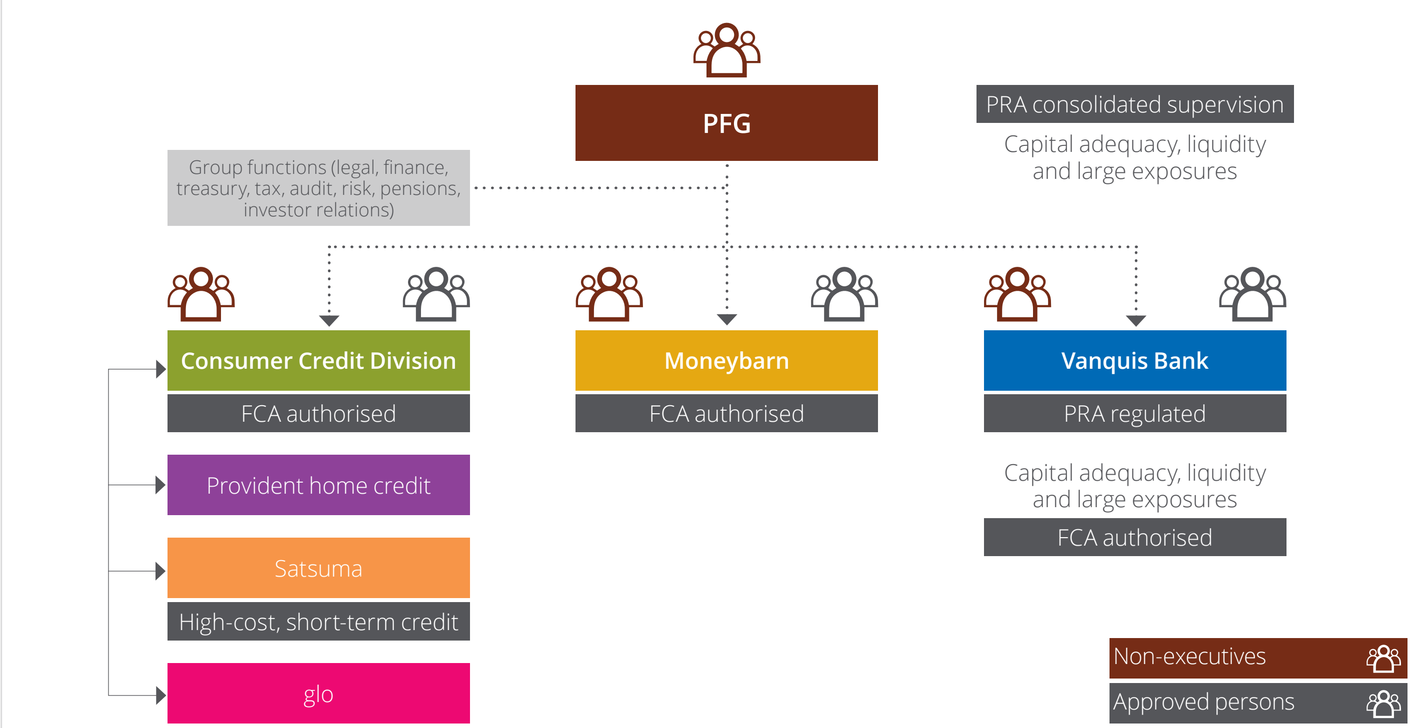
Explicit 'three lines of defence' model (business execution, internal quality control/challenge and independent internal audit).

Policies and procedures to specify how the business will comply with all relevant aspects of the FCA handbook and sourcebooks: CONC, SYSC, PRIN, GEN, DISP and SUP.

Thorough, verified assessments for all lending decisions to ensure affordability, responsibility and sustainability as well as suitability of the product.

Training, monitoring, control and auditing of compliance with policies and procedures to provide documentary evidence to demonstrate adherence.

How the group will look under the FCA



Implications of regulatory change

Different order of magnitude of financial and operational costs of regulatory compliance, raising the minimum efficient/possible scale.

Many consumer credit businesses are likely to decide to exit, or fail to secure full FCA authorisation.

Fundamental issues with certain sectors, product forms and business models likely to result in restructuring of supply.

Consumer credit firms will be subject to a 'change of control' process in any proposed transactions.

Boundaries and interpretations of new rules will continue to be tested, along with attempts to supply without any intention to comply.

The speed and impact of regulatory interventions is likely to be dramatically higher than past experience.

THE PERCEPTION OF THE NON-STANDARD LENDING MARKET IS VERY DIFFERENT TO HOW PFG DOES BUSINESS AND THE VALUES THAT SIT AT THE HEART OF EVERYTHING WE DO

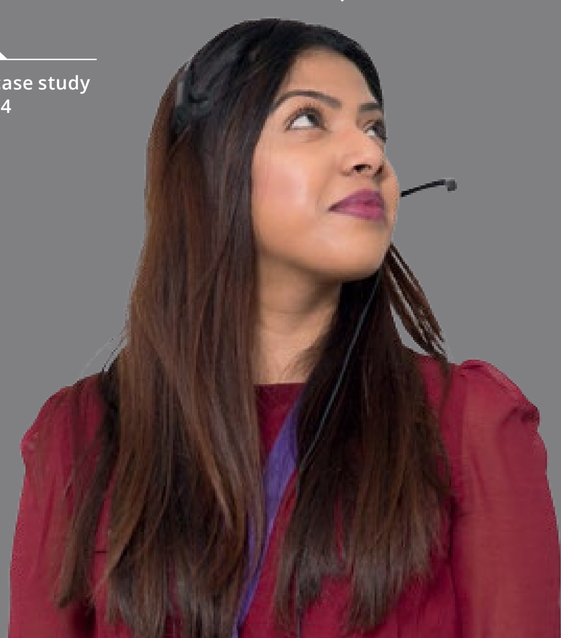
We start with putting the particular needs of our customers at the centre of what we do. We do this by ensuring that our products share the same responsible lending characteristics.

Here are just a few stories of how we care for our customers and generate sustainable returns...

Moneybarn case study
page 50

Vanquis Bank case study
page 24

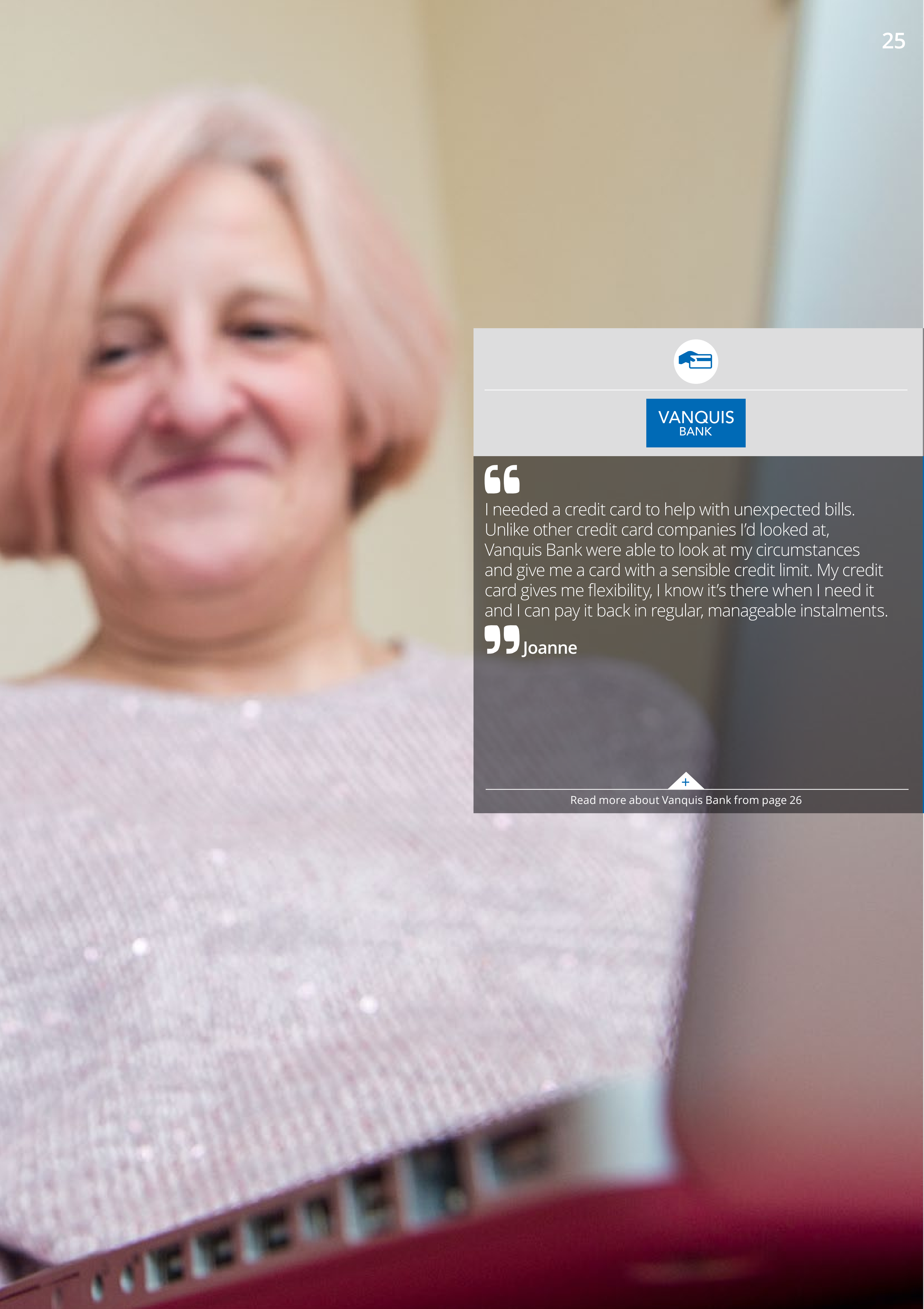
Vulnerable customer
case study
page 60



Satsuma case study
page 38

Provident case study
page 32


NO CARD,
NO FLEXIBILITY



VANQUIS BANK

I needed a credit card to help with unexpected bills. Unlike other credit card companies I'd looked at, Vanquis Bank were able to look at my circumstances and give me a card with a sensible credit limit. My credit card gives me flexibility, I know it's there when I need it and I can pay it back in regular, manageable instalments.

Joanne

Read more about Vanquis Bank from page 26

Strategic report

Divisional review

Vanquis Bank
Non-standard credit cards

VANQUIS BANK

Vanquis Bank is the leading supplier of credit cards in the non-standard market and brings the benefit of credit cards to people who can find themselves excluded by mainstream credit card providers.

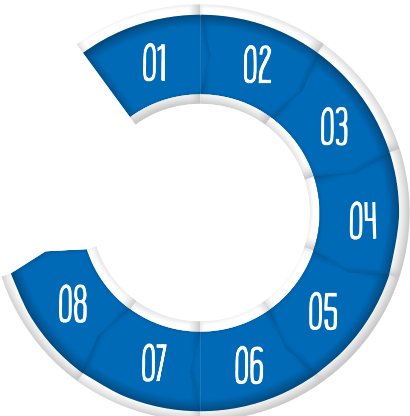
£185.5m
UK profit before tax

1,386
UK employees

£1.3bn
UK year-end receivables

1.4m
UK customers

How our model applies to Vanquis Bank



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Read more about the group business model on pages 12 and 13

How we create value

1. Secure longer-term, lower rate funding

> Stand-alone retail deposits funding.
> Intercompany loan also provided by PFG.

2. Develop tailored products to meet customers' needs

> Simple credit card offering with no teaser rates or rewards programmes.
> Provides utility for modern day life, such as shopping on the internet.
> Allows customers with thin or impaired credit records to rebuild their credit score.
> High levels of customer satisfaction.

3. Attract target customers

Typical customer:

> Full-time employed;
> Average income of between £20,000 and £35,000;
> Limited indebtedness;
> Lives in rented accommodation; and
> Average age of between 35 and 45 years old.

Channels to market:

> Multiple brands – Vanquis Bank, Aquis, Black Diamond, Granite, Neo, Original, Origin;
> Strong track record of developing channels to market; and
> Customers recruited through the internet, direct mail, face-to-face and partnership arrangements.

4. Assess affordability and credit worthiness

> Bespoke underwriting systems.
> Use of external bureau data.
> Welcome call with all new customers.
> 13 years of experience of lending to non-standard credit card customers.

5. Lend responsibly

> Initial credit line of between £250 and £500.
> 'Low and grow' approach to extending credit.
> Maximum credit line of £3,500.
> Average life of a card account of around four years.
> Representative APR of 39.9%.

6. Collect repayments due

> Best in class collections centre in Chatham.
> Experienced contact centre staff with compliant remuneration arrangements.
> Leading edge technology and dialler strategies.
> E-Vanquis for electronic payments.

7. Manage arrears and customer difficulties

> Immediate contact when payments are missed.
> Multiple forbearance methods for customers in difficulty.
> Optional ROP product freezes account for up to two years when customers get into difficulty.
> Low levels of complaints overturned by FOS.

8. Pay for funds and generate surplus capital to deploy

> High ROA business.
> Strong capital generation funds growth and allows surplus capital to be paid in dividends to PFG.

+

Strategic report

Divisional review – Vanquis Bank

Non-standard credit cards

Vanquis Bank is the leading provider of credit cards to people in the non-standard credit market. We promote financial inclusion, bringing credit cards to people who are typically declined by mainstream credit card providers. In doing so, we help people to establish or rebuild a credit history and enable those in the non-standard credit market to share in modern buying methods such as online shopping, that can only really be achieved with card-based products.

Chris Sweeney
Managing Director
Vanquis Bank

What is Vanquis Bank?

In many ways Vanquis Bank looks and operates like any other credit card provider:

> We are Visa-branded;

> Our cards are accepted at over 15 million locations;

> Customers enjoy up to a 56-day interest free period on new purchases;

> We use the internet for applications and customer service;

> We accept standard payment methods and issue customer statements; and

> We have contact centres to support our customers.

Our customers spend at the same major merchants used by prime credit card customers, such as Tesco, Asda, Sainsbury's, Argos, Amazon and PayPal. However, our target customers have a very different profile to prime credit card users. Whilst they are typically employed, their incomes of between £20,000 and £35,000 are, on average, lower than a prime customer and most will have a credit profile which means they have limited access to, and use of, other forms of borrowing compared with prime customers. They are also much less likely to be home owners, with some three quarters living in rented accommodation.

Our customers value a Vanquis Bank credit card for a variety of reasons:

> It provides them with access to credit for the first time if they have a 'thin' credit history and no previous experience of taking out credit;

> They are seeking to rebuild their credit history after problems in the past;

> They value the inherent utility of a credit card, particularly accessing discounts and lower prices on the internet;

> Our customers often have a lack of trust in high street banking, having been declined or experienced financial difficulty in the past with high street banks; and

> They value our high personal contact model.

We have 13 years of experience in lending responsibly to our chosen target market. Our success is based on a clearly defined strategy and our tailored approach to serving customers in the non-standard credit market.

> WE HAVE 13 YEARS OF EXPERIENCE IN LENDING RESPONSIBLY TO OUR CHOSEN TARGET MARKET. OUR SUCCESS IS BASED ON A CLEARLY DEFINED STRATEGY AND OUR TAILORED APPROACH TO SERVING CUSTOMERS IN THE NON-STANDARD CREDIT MARKET.

2015 in focus

2015 has been another excellent year for Vanquis Bank, delivering strong growth in customers, receivables and profits. With 1.4 million customers and a receivables book of £1.25bn at the end of 2015, we are making excellent progress towards our medium-term guidance of serving up to 1.8 million customers with an average balance of £1,000.

We will continue to develop the non-standard credit card market in the UK and drive further growth through our core channels to market of the internet and direct mail. However, we recognise that we have a large customer base but only serve them with one product – a credit card. As a result, during the second half of 2015 we have been developing our strategy to supplement our core proposition.

1. New business initiatives

There are a number of areas where we are looking to develop, including the following:

(i) Partnerships – We are looking to expand our existing capability in the partnerships market, building on existing successful relationships and adding new partners. These could be in the form of decline arrangements with prime banks whereby declined customers who meet Vanquis Bank criteria are offered a Vanquis bank credit card, or through a partner branded credit card arrangement which allows access to all Visa merchants or through a private label credit card restricted to partner stores or website.

(ii) Customer product marketing – Customer research shows us that there is an appetite amongst our customers for insurance products which have the same characteristics as our credit card offering – clarity, simplicity and higher service levels. We are therefore, considering promoting home contents, travel, car, gadget and pet insurances to our customers, all of which are very relevant to them. The insurance would be provided through a third party who meets our high standards of service, but clearly this could be an incremental income source for the business.

(iii) Fresh start – Vanquis Bank has proven collections capability and has also been successful in packaging and selling delinquent debt to third parties. We are trialling purchasing small tranches of debt and leveraging our collections expertise, customer contact data and debt rehabilitation offerings in order to improve recoveries and help customers get back on-track.

(iv) Face-to-face – We already successfully use the face-to-face channel in high streets across the UK to attract new customers, but there are many cities and towns where we do not have a presence and are areas for further growth. In addition, our face-to-face activities are currently out-sourced to a third party and so we are looking at managing some of the process in-house to gain greater efficiency. It is important to note, that whilst a new customer recruited through the face-to-face channel will have met a Vanquis Bank representative on the high street, they will still go through the same underwriting, affordability and welcome call process as all our other channels.

(v) Other financial services – We are in the very early stages of investigating the potential of offering other financial services, including loans, to our existing customer base.

Clearly it is unlikely that all of the above areas will lead to incremental growth. However, we have a number of exciting opportunities to augment our existing growth opportunity in non-standard credit cards.

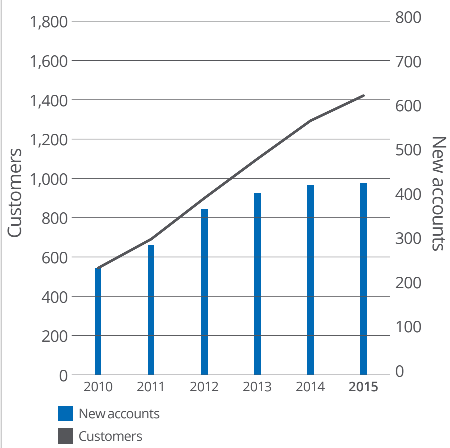
2. New leadership

Michael Lenora, who has led the business very effectively since 2007, has decided to retire on 30 June 2016. He has contributed hugely to the success of Vanquis Bank and he leaves the business with everyone's sincere thanks and good wishes for a happy retirement. He leaves behind an excellent business and a very strong management team. It is great news that Chris Sweeney has joined the firm as Michael's successor from the start of January 2016. He has a wealth of experience in credit cards and retail banking, most latterly with Standard Bank, and is the right person to lead Vanquis Bank in its next stage of development.

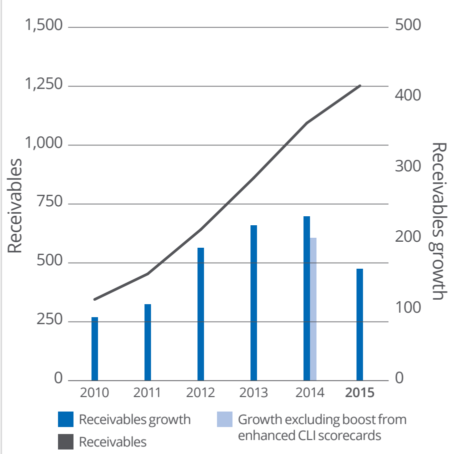
Strategic report

Divisional review – Vanquis Bank

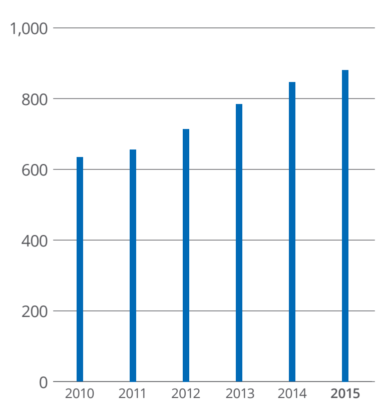
Vanquis Bank customers ('000)



Vanquis Bank receivables (£m)



Average balance (£)



3. Financial performance

Vanquis Bank generated a profit before tax of £183.7m in 2015 (2014: £140.4m) analysed as follows:

	Year ended 31 December		
	2015 £m	2014 £m	Change %
Profit/(loss) before tax:			
– UK	**185.5**	151.0	22.8
– Poland	**(1.8)**	(10.6)	83.0
Total Vanquis Bank	**183.7**	140.4	30.8

UK

	Year ended 31 December		
	2015 £m	2014 £m	Change %
Customer numbers ('000)	**1,421**	1,293	9.9
Year-end receivables	**1,252.0**	1,093.9	14.5
Average receivables	**1,157.1**	967.2	19.6
Revenue	**538.6**	465.6	15.7
Impairment	**(158.9)**	(144.9)	(9.7)
Revenue less impairment	**379.7**	320.7	18.4
Risk-adjusted margin[1]	**32.8%**	33.2%	
Costs	**(151.1)**	(130.0)	(16.2)
Interest	**(43.1)**	(39.7)	(8.6)
Profit before tax	**185.5**	151.0	22.8
Return on assets[2]	**15.8%**	15.5%	

1 Revenue less impairment as a percentage of average receivables.
2 Profit before interest after tax as a percentage of average receivables.

Vanquis Bank has delivered another excellent performance in 2015, reporting UK profits 22.8% higher than 2014. Sound credit quality and favourable delinquency assisted by an improving UK employment market have enabled the UK business to deliver an improvement in return on assets from 15.5% in 2014 to 15.8% in 2015.

Demand for non-standard credit cards continues to be strong and, whilst the marketing activity of competitors in both the direct mail and internet channels has continued, further investment in the customer acquisition programme has allowed the business to deliver record new account bookings of 433,000 (2014: 430,000). This reflects a stable acceptance rate of around 25% against unchanged underwriting standards with the business only booking new business that is expected to meet its minimum threshold returns. Customer numbers ended 2015 at 1,421,000, up 9.9% on last year, which is stated after the cancellation of 46,000 dormant accounts during June and July to eliminate the contingent risk associated with undrawn credit lines. The underlying growth is therefore around 13.5%.

The credit line increase (CLI) programme to customers who have established a sound payment history is the most important driver of credit issued and, when combined with growth in customer numbers, generated a 19.6% increase in average receivables. Returns from the low and grow approach to extending credit remain consistently strong and are underpinned by average credit line utilisation of around 70% which delivers a strong stream of revenue whilst maintaining a relatively low level of contingent risk from undrawn credit lines.

Year-end receivables grew by 14.5% in 2015 with the business adding £158m of receivables compared with growth of £233m in 2014 and £220m in 2013. 2014 receivables growth was boosted by the introduction of enhanced CLI scorecards following the decision to augment the sourcing of credit bureau data. This boosted receivables growth by around £30m in 2014, a proportion of which was at the expense of 2015, and therefore the reduction in receivables growth is less pronounced than the headline reduction. Overall, Vanquis Bank's receivables profile reflects consistent new account bookings of between 411,000 and 433,000 over the last three years and the current maximum credit line of £3,500.

The average customer balance increased to £881 in 2015 (2014: £846) as the proportion of new customers in the total population reduces. It remains well on-track towards the medium-term guidance of £1,000.

The risk-adjusted margin for 2015 was 32.8%, a modest reduction from 33.2% in 2014. The reduction in the risk-adjusted margin comprises a 0.6% decline in the revenue yield derived from the Repayment Option Plan (ROP) product following the changes to the sales process and product features in 2013 and interchange income, partly offset by a 0.2% benefit from improved delinquency.

Interchange income is being adversely impacted by the agreement between Visa and the European Commission to implement a phased reduction in the interchange fees charged by credit card companies to retailers. This programme was fully implemented from December 2015 when domestic transactions were subject to lower fees. The impact on Vanquis Bank was a reduction in income of approximately £3m in 2015 which is estimated to increase to around £11m in 2016, based on current volumes, as the reduced fees on domestic transactions fully take effect. Interchange revenue is a less significant source of income for Vanquis Bank than for mainstream credit card providers.

Although the UK employment market has continued to improve, Vanquis Bank has, and will continue to, apply consistently tight credit standards. This explains the further reduction in the rate of delinquency to a new all-time low for the business and the corresponding 1.2% year-on-year reduction in the rate of impairment. Over the same period, the improving quality of the book has seen the revenue yield from interest and late and over limit fees reduce by around 1.0%. Taken together, these explain the net benefit of 0.2% to the risk-adjusted margin from improved delinquency over the last year.

Based on current delinquency trends, the changes made to the ROP product and the recent changes to interchange fees, the risk-adjusted margin is expected to moderate to around 32% during 2016 and remain above the target of 30% thereafter.

Costs increased by 16.2%, below the 19.6% growth in average receivables as the business continues to benefit from operational gearing. The cost base in 2015 includes a further uplift of £4m in the spend on direct mail and marketing activities that has supported the increase in new account bookings in 2015 and additional expenditure of approximately £3m on the risk, legal and compliance functions.

Interest costs increased by 8.6% during 2015, significantly lower than the growth in average receivables. This reflects the reduction in Vanquis Bank's blended funding rate, after taking account of the cost of holding a liquid assets buffer, from 5.6% in 2014 to 5.3% in 2015 due to the progressive benefit from taking retail deposits.

Vanquis Bank remains firmly on track to achieve the medium-term potential of up to 1.8 million customers with an expected average balance of approximately £1,000, as communicated at the start of 2015.

Poland

Following the decision to withdraw from the Polish pilot operation in February 2015, the receivables book was sold to a third party. The economic interest passed from Vanquis Bank to the purchaser on 1 April 2015 with legal completion and the payment of final consideration occurring in August 2015.

The residual loss of £1.8m in 2015 reflects the trading losses in the first quarter of the year (2014: loss of £10.6m).

Looking ahead

We expect 2016 to be another year of strong growth. We will continue to invest in growing the core credit card customer base and receivables in a sustainable and responsible manner. In addition, we will invest in new business areas to augment future growth although these are too early in their development to have a material impact on earnings in 2016. We remain focused on delivering good customer outcomes as well as delivering high shareholder returns and we will not seek growth at the expense of diluting our returns or impacting our high levels of customer satisfaction. Even though the UK has shown a strong recovery over recent years, we will maintain the tight underwriting that served us so well during the recent recession.

Looking beyond 2016, we expect the demand for non-standard credit cards in the UK to remain strong. Our medium-term guidance for the credit card business remains unchanged serving up to 1.8 million customers with an average balance of approximately £1,000. However, as we have previously stated, we do not view these targets as the 'end game' and we are continually looking at ways to enhance the potential for the business through developing our channels to market, our product proposition and new business areas. The rate of progress towards our targets will be dictated by future economic conditions, the potential emergence of increased competition and, very importantly, maintaining a minimum risk-adjusted margin of 30%.

We are delighted to be taking on the baton of developing the glo guarantor loans product from CCD, subject to regulatory approval. Our Commercial Director, Michael Hutko, will be responsible for running this part of the business in addition to his other responsibilities in the credit card business. We expect 2016 to be a year of modest investment, as we embed credit, marketing and collections into our operations, before reaching a break even position in 2017.

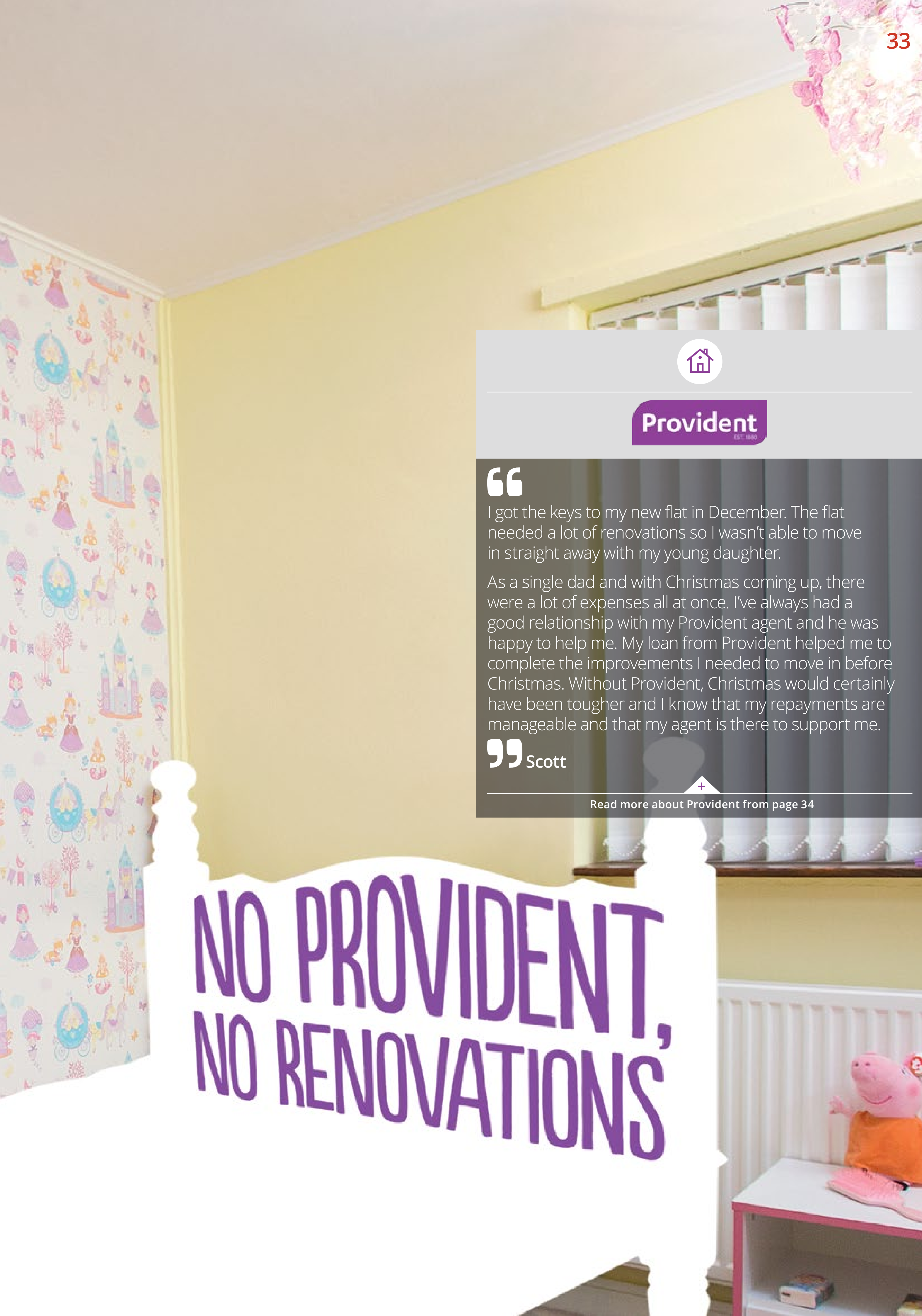
The future for Vanquis Bank remains very bright:

> We have a core proposition which is tailor-made for the non-standard market, offering limited amounts of credit in a responsible, straightforward and sustainable way. We allow those consumers who may find it difficult to obtain credit elsewhere the opportunity to participate in modern day life through the utility offered by a credit card. Supporting customers to repair or build their credit history is central to our proposition.

> We are testing a suite of new business strands to augment growth in addition to our core product proposition. We will ensure that we maintain the same ethos of clarity, simplicity and high levels of customer service in anything we do.

> We are excited about the prospects of glo, the group's guarantor loans product, following the successful trial in CCD. The guarantor loans market is an attractive market and we are confident that by utilising our credit, marketing and collections skills we can build a successful business which will deliver the group's target returns.

> We are a profitable, growing, capital-generative business and we continue to see excellent growth opportunities for the business in the UK. Vanquis Bank will continue to be the major contributor to the future growth of the group's dividends.



Provident

I got the keys to my new flat in December. The flat needed a lot of renovations so I wasn't able to move in straight away with my young daughter.

As a single dad and with Christmas coming up, there were a lot of expenses all at once. I've always had a good relationship with my Provident agent and he was happy to help me. My loan from Provident helped me to complete the improvements I needed to move in before Christmas. Without Provident, Christmas would certainly have been tougher and I know that my repayments are manageable and that my agent is there to support me.

Scott

Read more about Provident from page 34

NO PROVIDENT, NO RENOVATIONS

Strategic report

Divisional performance – Consumer Credit Division

Provident home credit

PROVIDENT HOME CREDIT

Provident is the largest home credit business in the UK and Ireland and is still 'lending a hand' to its customers after 135 years.

£105.4m
Profit before tax[1]

2,160
UK employees[1]

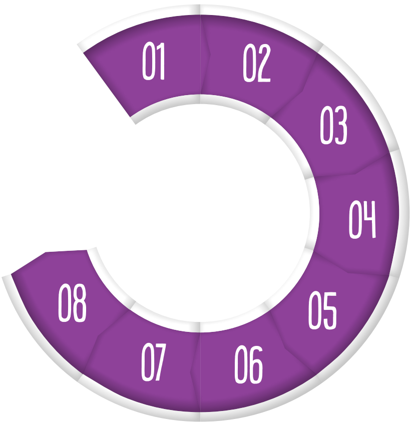
£522.2m
Year-end receivables

0.9m
Customers

£100–£2,000
Loan range

1 For CCD as a whole.

How our model applies to Provident home credit



Read more about the group business model on pages 12 and 13

How we create value

1. Secure longer-term, lower rate funding

> Intercompany loan provided by PFG.
> Guarantor to group facilities.

2. Develop tailored products to meet customers' needs

> Simple cash loans delivered by a self-employed agent in the home.
> Enables the customer to manage the household budget.
> Affordable weekly payments.
> All-in fixed charge – no late fees or additional interest.
> 135 years of serving non-standard customers.
> High levels of customer satisfaction.

3. Attract target customers

Typical customer:
> Part-time/casual employment;
> Low incomes – £10,000 to £15,000 per annum;
> Limited indebtedness;
> Typically live in rented accommodation or social housing; and
> Often female, middle-aged.

Channels to market:
> Multi-channel – recommendation, direct mail, internet or through self-employed agents;
> Strong brand with loyal customer base; and
> Builds on existing customer relationships.

4. Assess affordability and credit worthiness

> Expertise – 135 years of experience of lending home credit to non-standard customers.
> Central underwriting generates a 'no' or 'maybe' decision.
> Affordability and lending decision made in the home by a self-employed agent.
> Agents are typically female, have an average of seven years' experience, and live in the communities they serve.

5. Lend responsibly

> Small-sum credit with initial loan of £150.
> Low and grow approach to extending credit.
> Agents only paid commission on what they collect therefore no incentive to over-lend.
> Representative APR of 399.7%.

6. Collect repayments due

> Collections typically made weekly by the agent in cash from the customer's home.

7. Manage arrears and customer difficulties

> Weekly face-to-face visit from the agent allows discussion of the customer's situation.
> Agents can agree reduced payments or a temporary payment holiday.
> No additional fees or interest from late payment.

8. Pay for funds and generate surplus capital to deploy

> High ROA business.
> Strong capital generation funds growth and allows surplus capital to be paid in dividends to PFG.

Strategic report

Divisional review – Provident home credit

Provident home credit

Provident is the group's longest-running business, stretching back to the company's foundation in 1880. It offers home credit loans, typically of a few hundred pounds, through a network of agents who call each week at customers' homes in the UK and Ireland. It is a business that has stood the test of time, serving customers through thick and thin, including two world wars and numerous economic cycles.

Mark Stevens
Managing Director
Consumer
Credit Division

Why home credit works

We are the largest home credit business in the UK and Ireland. Every week, 5,500 local agents visit the majority of our 0.9 million customers, to issue loans and collect repayments. Even after 135 years, the business continues to fill a vital need for customers, providing access to credit for those who might otherwise be financially excluded and lending a helping hand when others don't.

The home credit service fits the needs of customers like a glove:

1. The products are simple and transparent with all costs included up front and no additional fees or charges whatsoever. For those managing on a tight budget, it's important to know that the amount to be repaid is fixed at the start and will never go up.
2. The affordable weekly repayments suit those managing on tight weekly budgets and the agent's regular visit is not only convenient for the customer but it also helps them maintain good payment discipline.
3. Forbearance is core to our product offering so that when customers get into difficulty they know they'll get a sympathetic response, which could mean either making a reduced payment or missing a weekly payment altogether, depending on the circumstances.
4. The Provident service is face-to-face, with loans being delivered to customers' homes by self-employed agents who then usually call every week to collect repayments. Agents often live in the same communities as their customers and understand their needs, developing an intimate knowledge of their circumstances through the weekly visit. Whilst central underwriting is also used, agents make the final lending decision as they can assess customer affordability and character in the home. Importantly, agents are paid commission primarily on what they collect, not what they lend, so they have no reason to lend more than their customers can afford to repay.

Provident's service is one that customers trust and positively want to use, which helps to explain why our customer satisfaction rates are consistently high. 93% of customers say they are satisfied with the Provident home credit service, and the vast majority say they would recommend Provident to family or friends.

2015 in focus

In September 2013, in the face of inflationary pressures on customers' disposable incomes and structural changes in the market towards accessing credit online, we outlined a new strategy and timetable for the transition of Provident to a leaner, better-quality, more cost-efficient business focused on returns. By successfully implementing these changes, we indicated that 2013 would be the baseline year for profits, 2014 would be a year of further change before completion of the transformation programme in 2015. It is very pleasing to report that we have successfully delivered on all of these commitments and we now have a solid foundation to develop the business in 2016 and beyond.

> PROVIDENT'S SERVICE IS ONE THAT CUSTOMERS TRUST AND POSITIVELY WANT TO USE, WHICH HELPS TO EXPLAIN WHY OUR CUSTOMER SATISFACTION RATES ARE CONSISTENTLY HIGH.

Our strategy involved five key areas for change, on which we have made excellent progress over the last two years:

1. 'One Best Way'

Historically, there had been differing working practices spanning the 240 branches across the UK and Ireland. The absence of sharing best practice resulted in significant variations in branch and manager performance. Whilst there are still ways in which we can improve, we have made further great progress during 2015 in standardising our ways of working, particularly in arrears management, compliance and performance management assisted by the deployment of technology and investing in developing our best people, all of which is described further below. This has undoubtedly contributed to the improved performance of the business.

2. Technology and apps

The programme of work to develop our technology through the use of smartphone and tablet apps to standardise best practice, access significant efficiency gains across the field operation and implement market-leading compliance is now complete.

Following the roll-out of the collections app to agents and tablet devices to field managers in 2014, we successfully deployed the lending app to all agents in 2015. The successful implementation of technology in the field has multiple benefits in eliminating paper, better enforcing and evidencing compliance as well as improving collections performance, arrears management and saving a significant amount of agent and back office time, allowing agents and managers to spend more time with customers.

3. Collections focus

In order to improve collections performance, underwriting was significantly tightened in September 2013 and the business commenced the process of standardising arrears and collections processes, including a focus on early intervention and the better integration of field and central collections activities.

As a result of these decisive measures, the business experienced a marked improvement in the quality of the receivables book in 2014 with CCD's ratio of impairment to revenue reducing significantly from 38.7% in 2013 to 30.0% in 2014. 2015 has seen the ratio further reduce to 20.6% as the improved quality of the receivables book has come through. Over the same two-year period CCD's receivables book has reduced by 26.3%, reflecting the impact of the tighter credit standards. We expect that the receivables book and credit quality has now reached a new base level and do not expect any further significant movements from the actions taken to reposition the business since 2013.

4. Much lower costs

To ensure that profit levels in the business were at least maintained following the managed contraction in the receivables book, it was not only necessary for the quality of receivables to improve but the cost base needed to be reduced to reflect the lower volume of business.

Whilst job losses are always regrettable, since the middle of 2013 we have implemented four phases of cost reduction:

Phase 1 – 180 field managers left the business in June 2013.

Phase 2 – 340 field and head office employees left in December 2013.

Phase 3 – 225 field administration employees left in June 2014.

Phase 4 – 500 field manager and field administration employees left in June 2015.

Employee numbers in Provident have reduced from 2,897 to 2,160 since June 2013 which has been possible by the successful completion of the programme to deploy technology throughout the field operation.

The headcount reductions, together with other savings and volume reductions, have reduced the CCD cost base by around £8m over the last two years and has allowed CCD to invest in developing Satsuma, glo and the regulatory agenda whilst delivering a modest increase in profits.

5. Performance through people

The profitability of an agency increases markedly as the agent gets more experience. As a result, we have significantly changed the way we attract, induct and support agents to drive higher retention and reduce agent turnover. We have also been combining agent rounds to remove less profitable agencies, which are a key driver of agent turnover as the agent's commission is often insufficient for their needs. These changes have resulted in a halving in the number of vacant agencies.

We have introduced a new development agenda throughout the business to recruit, retain and develop better leaders in our management team. Formal leadership training for managers throughout the business is now well established and has been extremely well received. This will continue to benefit the business in the future.

Satsuma® loans.co.uk

"When my car broke down in the middle of the month, I needed to be back on the road quickly for work. I had previously had help from family when I was out of work last year so I didn't want to ask them for help again. I applied for a Satsuma loan to cover the cost of repairs. The loan was straightforward to arrange and I particularly liked that I could spread the repayments over a six-month period. I spoke to a customer service advisor on a couple of occasions and they were always very friendly and helpful. I was able to carry on working and knew the total repayments in advance. I would definitely use Satsuma again."

Samantha

Read more about Satsuma from page 40

Strategic report

Divisional review – Consumer Credit Division

Satsuma online lending

SATSUMA ONLINE LENDING

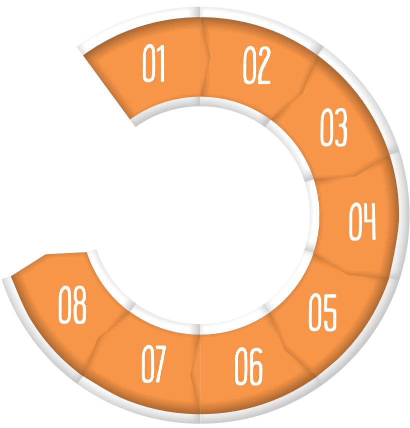
Satsuma provides a unique customer proposition in the short-term, small-sum online loans market, building on the group's experience and skills in serving home credit and non-standard credit card customers.

£12.1m
Year-end receivables

49,000
Customers

£100–£1,000
Loan range

How our model applies to Satsuma



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Read more about the group business model on pages 12 and 13

How we create value

1. Secure longer-term, lower rate funding

> Intercompany loan provided by PFG.
> Guarantor to group bank facilities.

2. Develop tailored products to meet customers' needs

> Simple short-term loans delivered remotely.
> Allows customers fast access to finance.
> Manageable weekly payments.
> No additional, hidden fees.
> Suited to customers who prefer to transact online, without the need of an agent relationship.
> High levels of customer satisfaction.

3. Attract target customers

Typical customer:

> Full or part-time employment;
> Low to average incomes of between £10,000 and £15,000;
> Limited indebtedness;
> Mainly lives in rented accommodation; and
> Typical average age of between 25 and 35 years old.

Channels to market:

> High levels of brand awareness through initial TV advertising;
> Focus now on digital and social media;
> Developing B2B relationships.
> Will begin to make use of Vanquis Bank declines; and
> Building on existing customer relationships.

4. Assess affordability and credit worthiness

> Use of external credit bureau data.
> Bespoke credit scoring using a range of data sources.
> Perform validated affordability assessments using payslips and external data.

5. Lend responsibly

> Low and grow approach to extending credit.
> Loans of between £200 and £1,000 repayable between 13 and 52 weeks.
> Typical initial loan of £200.
> Alternative to payday lending with no additional interest or late fees and manageable weekly repayments rather than 'bullet' repayment.
> Representative APR of 1,575%.

6. Collect repayments due

> Repayment taken via Continuous Payment Authority (CPA) from the customer's bank account.
> Compliant CPA policy with customer contacted after two failed attempts.
> Leveraging best-in-class collections provided by Vanquis Bank in Chatham.
> Experienced UK-based contact centre team.
> Dedicated self-serve area on website being developed to allow electronic payments.

7. Manage arrears and customer difficulties

> Immediate contact made when payments are missed.
> Multiple forbearance methods available with no additional fees or charges.

8. Pay for funds and generate surplus capital to deploy

> Progress to date confirms the ability to meet the group's target returns.

Divisional review – Satsuma

> SATSUMA IS BASED CLOSELY ON THE PROVEN HOME CREDIT CUSTOMER-CENTRIC PROPOSITION.

What is Satsuma?

Satsuma provides short-term loans online to help customers manage their everyday lives. It addresses those applicants of sufficient credit quality whose preference is to access small-sum credit online and make weekly repayments direct from their bank account without the need for an agent visit. It is specifically aimed at the significant audience of non-standard consumers in the segment of the market between Vanquis Bank and our Provident home credit business.

Customer demand in the unsecured loans market, in which payday lending was most recently the most significant participant, is strong. The gross advances in this market were in excess of £10bn prior to the credit crunch but had reduced significantly until recent years when payday lending started to fulfil some of the demand. With the backdrop of clearer, tighter regulation around payday lending implemented from 1 July 2014, including the introduction of a rate cap from 2 January 2015, there is an ongoing and significant shift in supply from payday loans to more affordable and responsible instalment lending products. Tighter regulation has meant that a number of smaller payday loan companies have already exited the market and larger operators are revising their business models and curtailing their payday lending activities. As a result, there is an attractive opportunity to develop Satsuma as a sustainable business with a leading market position capable of delivering the group's target returns.

The product proposition of Satsuma is based closely on the proven home credit customer-centric proposition. The full cost of a loan is agreed upfront and is then repaid in fixed and manageable weekly payments collected by Continuous Payment Authority (CPA), on a day agreed with the customer upfront. This means that customers have peace of mind that they'll never incur any additional fees or charges whatsoever. Customers can have regular contact with a telephone representative and there are a number of forbearance procedures in place for those customers who get into financial difficulty. In addition, Satsuma is utilising the highly effective distribution, underwriting and collections capabilities of both CCD and Vanquis Bank.

2015 in focus

In its second year of operation Satsuma has continued to make further good progress in developing its product proposition, channels to market, underwriting, collections and back office processes. The business ended 2015 with 49,000 customers (2014: 21,000) and a receivables book of £12.1m (2014: £5.0m). The level of investment in 2015 was approximately £5m higher than 2014. We expect the business to generate a small contribution to CCD's profits in 2016.

1. Product proposition

Our product proposition has remained unchanged in 2015, focusing on loans of between £100 and £1,000 repayable weekly over a period of between 13 weeks and 52 weeks. This reflects our decision to focus on smaller-sum, shorter-term lending whilst we develop the customer journey, underwriting and our collections processes. Weekly lending aligns with the Provident home credit business. Typically our customers are on low incomes and manage their household budget on a weekly basis and weekly repayments also allows us to get a quicker read on credit quality as four weekly payment cycles have occurred by the time one cycle of a monthly product has taken place. This is particularly important in the early stages of the business's development.

We intend to further develop our product proposition as we continue to develop our underwriting and customer journey. The first stage of this is likely to be the introduction of a monthly product in 2016 for those customers who are paid monthly and manage their budget on a monthly basis. Beyond this, there continues to be a lack of supply for larger sum lending (£1,000+) over a year in duration for better-quality customers. This is an area that we will explore as well as 'line of credit' products which will allow better-quality customers to have a revolving balance against a set credit limit at a lower APR.

2. Channels to market

Our initial focus with Satsuma through 2014 and the early part of 2015 was to build strong brand recognition through memorable front-of-mind TV advertising. We have introduced four separate TV advertisements over the last two years and we have seen our brand recognition improve from 30% to 50% of non-standard consumers over that period. This currently places us number three in the market and awareness continues to grow.

During 2015, we have tested multiple B2C channels and now that we have built a strong brand, we are turning our attention to a more targeted, lower cost approach in the

> WORKING CLOSELY WITH OUR CUSTOMERS IS A FUNDAMENTAL PART OF OUR PROPOSITION AND ONE WHICH DISTINGUISHES US FROM THE MAJORITY OF OTHER LENDERS IN THE MARKET.

B2C channel, focusing on digital marketing including better use of social media and search engine optimisation. We have recently introduced a new website, including an improved application form, to supplement this. We will also be placing greater emphasis on developing the B2B channel, where we have recently seen some encouraging success, including leveraging our existing group relationships.

Overall, 2015 loan volumes were approximately 150% higher than 2014. Demand for Satsuma's weekly product proposition is strong and we have now provided over 150,000 loans and lent nearly £50m to customers in the two years since we started Satsuma. One of our main areas of focus in 2016, will be on re-serving good quality customers who have either repaid their loan or wish to take out a concurrent loan, subject to affordability. We will be introducing a secure customer log-in capability and a mobile app during 2016 which will allow customers to view their account, apply for new or further credit and to make repayments if a CPA does not work for any reason. It will also allow us to provide marketing messages to existing customers and will be a much more effective and lower cost option than direct mailing. In addition, we will also more effectively target those customers declined by Vanquis Bank for an open-ended revolving credit facility but who may be better suited to a shorter small-sum, fixed-term online loan.

3. Underwriting

Following the introduction of a new decision engine and scorecard in November 2014, Satsuma has continued to refine and develop its underwriting during 2015, typical for a nascent business, whilst adopting a measured approach to growing customer numbers.

The evolution of underwriting resulted in a significant tightening of credit from October which reduced the conversion rate to around 10% from closer to 20% in the middle of the year. These changes necessarily impacted growth in the fourth quarter trading period. Most importantly, the expected step-change in credit quality has materialised and the business is also seeing a good flow of further lending to established customers which is fundamental to future profitability. Our conversion rates are now improving again as we continue to broaden our channels to market, marketing approach, and the customer experience.

Consistent with other Provident Financial businesses, we maintain close, ongoing personal contact with our customers through our telephone representatives which gives us a unique customer insight and provides our customers with peace of mind, knowing that they always have someone they can talk to.

4. Collections

We have successfully embedded our collections operation into the highly effective and scalable collections capability of Vanquis Bank's contact centre in Chatham. Their representatives are engaged at an early stage to optimise collections performance and work closely with our customers. In addition, we continue to introduce different aspects of their technology to contact customers either through the use of their contact centre and SMS capabilities, trace activity for customers where no contact can be made and, very importantly, utilising their extensive range of forbearance measures for those customers whose circumstances have changed. Our collections performance has fluctuated in line with the changes made to underwriting during the year to test different scorecard cut-offs but is now tracking in line with our plans.

Just like all of the group's businesses, working closely with our customers to ensure the best possible outcome is a fundamental part of our proposition and one which distinguishes us from the majority of other lenders in this market. We are very pleased with the progress made in 2015 and, together with the refinements made to underwriting, we are confident that we will continue to see improvements in the quality of the receivables book in 2016.

5. Back office processes

One of our key goals in 2015 has been to further develop the IT infrastructure, analytics, management team, and governance and control processes to support the medium-term growth of the business as well as underpinning high customer service levels and positive customer outcomes. There is much more to do in these areas but it is very pleasing that through our continued investment, 98% of our customers rate our service as good or excellent on Feefo (January 2016). 2016 will see us further develop our IT and back-office processes and develop our analytics capability to improve our decision making and enable us to be more agile than the competition.

Luke Enock joined the business in August 2015 as Director of Online to lead the next phase of Satsuma's development. Luke was previously with Barclays and has extensive experience in financial services, particularly in analytics. He is already making a very positive impact on the business.

Strategic report

Divisional review – Consumer Credit Division

glo guarantor loans

GLO GUARANTOR LOANS

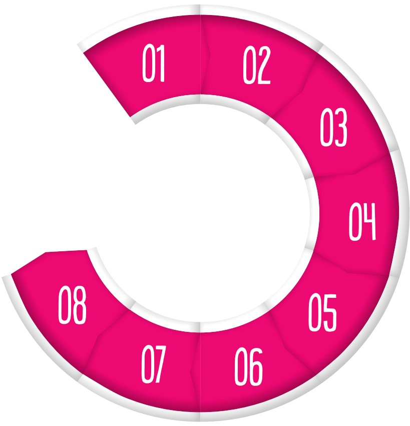
glo's guarantor loan product is distinct from any of the group's other services, providing non-standard consumers with affordable longer, larger loans. The loan is guaranteed by a family member or friend with a sound credit record who supports the customer if their circumstances change.

£10.8m
Year-end receivables

4,000
Customers

£1,000–£7,000
Loan range

How our model applies to glo guarantor loans



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Read more about the group business model on pages 12 and 13.

How we create value

1. Secure longer-term, lower rate funding

- Intercompany loan provided by PFG.
- Guarantor to group bank facilities.

2. Develop tailored products to meet customers' needs

- Provides access to larger-value, longer duration credit.
- Presence of a guarantor provides access to lower cost credit than would otherwise be available.
- Manageable monthly payments.
- Allows customers with a thin or impaired credit history to build their credit profile.
- Often used for debt consolidation, car finance and larger value purchases.

3. Attract target customers

Typical customer:

- Full-time employed;
- Average incomes of between £15,000 and £25,000;
- Limited indebtedness;
- Often lives in rented accommodation; and
- Typical average age of between 25 and 35 years old.

Channels to market:

- Initial focus on B2C with TV advertising;
- Developing B2B channel with brokers, leveraging on Moneybarn's broker relationships; and
- Other channels to market to be developed under Vanquis Bank's ownership in due course.

4. Assess affordability and credit worthiness

- Bespoke credit scoring using a range of data sources.
- Affordability assessment performed on both the borrower and the guarantor.
- Use of external credit bureau data.

5. Lend responsibly

- Typical initial loan of £2,500.
- Loans offered from £1,000 to £7,000.
- Average term of four years.
- Representative APR of 49.5%.

6. Collect repayments due

- Repayment through monthly direct debit from the customer's bank account.
- Leveraging best-in-class collections provided by Vanquis Bank in Chatham.
- Experienced UK-based contact centre team.

7. Manage arrears and customer difficulties

- Immediate contact made when payments are missed and guarantor informed.
- Multiple forbearance methods available with no additional fees.
- Every effort is made to collect from the borrower before the guarantor is required to make repayment.

8. Pay for funds and generate surplus capital to deploy

- Progress to date confirms the ability to meet the group's target returns.

Strategic report

Divisional review – glo

> GLO OFFERS COMPETITIVE PRICING AND A VERY CUSTOMER-CENTRIC APPROACH TO FORBEARANCE.

What is glo?

In May 2014, as part of our continuing strategy to develop CCD into a broader lending business, we launched a pilot into the guarantor loans market to test whether a product could be established which is capable of delivering the group's target returns. The guarantor loans market is currently dominated by one large provider, Amigo, but it is a market that has seen considerable growth over recent years and, as a whole, remains underserved.

glo, short for The Guarantor Loan Option, is additional and complementary to the home credit and Satsuma propositions, comprising larger, longer loans of between £1,000 and £7,000 repayable over a period of between one and five years. glo loans are designed to meet the need for more significant purchases, for example: buying a car, simplifying finances, or home improvements. The customer is supported by a family member or friend with a good credit record who is prepared to guarantee the loan if the customer's circumstances change.

glo offers customers competitive pricing and a very customer-centric approach to forbearance, including the high levels of personal service that the group deploys in all its offerings. This includes robust affordability checks on both the borrower and the guarantor. There are no set-up fees or early repayment fees and repayments are made monthly by direct debit. Interest is calculated daily and applied to the account monthly.

2015 in focus

The focus of the glo pilot in 2015 has been on developing the customer journey and demonstrating that there is sufficient demand for guarantor loans in order for us to build a business capable of delivering the group's target returns.

Having initially launched glo with a B2C focus, supported by TV advertising, we switched to a more B2B focus during the second half of 2015. This included leveraging our existing strong broker relationships in Moneybarn as well as developing new relationships. The pilot has successfully demonstrated that there is strong demand for longer, larger loans in this under-served area of the non-standard credit market.

More crucially, CCD has researched the market very thoroughly to develop an effective and sustainable customer journey to ensure that customers receive the same high level of personal service that the group deploys in all of its offerings. As a result, we now have a high degree of confidence that glo's guarantor loans proposition is matched to an attractive market opportunity capable of delivering the group's target returns. As a result, a decision was made in the third quarter of 2015 that glo will proceed from pilot to a full roll-out during 2016.

Subject to regulatory approval, the operation will also be transferred from CCD to Vanquis Bank in due course in order to allow CCD to focus on home credit and Satsuma and to allow glo to benefit from the credit, marketing and collections skills within Vanquis Bank. Michael Hutko, Vanquis Bank's Commercial Director, will be responsible for running the business in addition to his other responsibilities in the credit card business. 2016 is expected to be a year of modest investment, as we embed credit, marketing and collections into our operations, before reaching a break even position in 2017.

At the end of 2015, glo had 4,000 customers and a receivables book of £10.8m.

Divisional review – Consumer Credit Division

Financial performance

CCD generated a profit before tax and exceptional costs of £105.4m in 2015 (2014: £103.9m) as set out below:

	Year ended 31 December		
	2015 £m	2014 £m	Change %
Customer numbers ('000)	**948**	1,071	(11.5)
Year-end receivables	**545.1**	588.1	(7.3)
Average receivables	**499.5**	598.5	(16.5)
Revenue	**517.4**	591.1	(12.5)
Impairment	**(106.6)**	(177.5)	39.9
Revenue less impairment	**410.8**	413.6	(0.7)
Revenue yield[1]	**103.6%**	98.8%	
Impairment % revenue[2]	**20.6%**	30.0%	
Risk-adjusted margin[3]	**82.2%**	69.1%	
Costs	**(278.3)**	(275.8)	(0.9)
Interest	**(27.1)**	(33.9)	20.1
Adjusted profit before tax[4]	**105.4**	103.9	1.4
Return on assets[5]	**21.2%**	18.1%	

1 Revenue as a percentage of average receivables.
2 Impairment as a percentage of revenue.
3 Revenue less impairment as a percentage of average receivables.
4 Adjusted profit before tax is stated before an exceptional cost of £11.8m (2014: £3.4m) in respect of a business restructuring.
5 Adjusted profit before interest after tax as a percentage of average receivables.

Home credit

Read more on Provident on pages 34 to 37

Online lending

Read more on Satsuma on pages 40 to 43

Guarantor loans

Read more on glo on pages 44 to 46

CCD is making good progress in executing on its strategic plan to develop a broader based lending business. The repositioning of the Provident home credit business as a smaller, better-quality, more cost-efficient business is complete and delivering strong returns. This success has supported CCD's continued investment in developing the Satsuma online loans proposition and the glo guarantor loans pilot whilst delivering a 1.4% increase in profits. The strategic development of CCD over the last two years has resulted in a significant increase in its return on assets from 15.1% in 2013 to 21.2% in 2015.

It is very encouraging to report that credit issued in the home credit business through the fourth quarter of the year was ahead of the fourth quarter of 2014, notwithstanding the planned contraction in the customer base. This has been achieved through a marked improvement in the quality of the book and improved demand supported by the favourable development of household incomes and the cost of living for home credit customers during 2015.

Overall customer numbers in CCD have shown a year-on-year reduction of 11.5% to 948,000 (2014: 1,071,000). Over half of the reduction relates to the sale of delinquent low value customer balances to third-party debt purchasers. As a result, the underlying reduction of around 5% reflects the tighter credit standards introduced as part of the repositioning of the business in September 2013, which has continued to curtail the recruitment of more marginal customers, improve overall credit quality and shorten the duration of the book.

With the repositioning of the home credit business complete, the rate of shrinkage in the CCD receivables book is moderating and showed a year-on-year decrease of 7.3% at December compared with 18.0% at June 2015 and 20.5% at December 2014.

The revenue yield remained robust at 103.6%, up from 98.8% in 2014, due to a modest shift in mix towards shorter-term, higher-yielding lending.

The implementation of standardised arrears and collections processes together with a continued marked improvement in credit quality have combined to produce a further significant improvement in arrears, with the ratio of impairment to revenue reducing from 30.0% at December 2014 to 20.6% at December 2015.

Strategic report

Divisional review – Consumer Credit Division

"2015 HAS BEEN ANOTHER VERY GOOD YEAR OF PROGRESS AGAINST OUR STRATEGY."

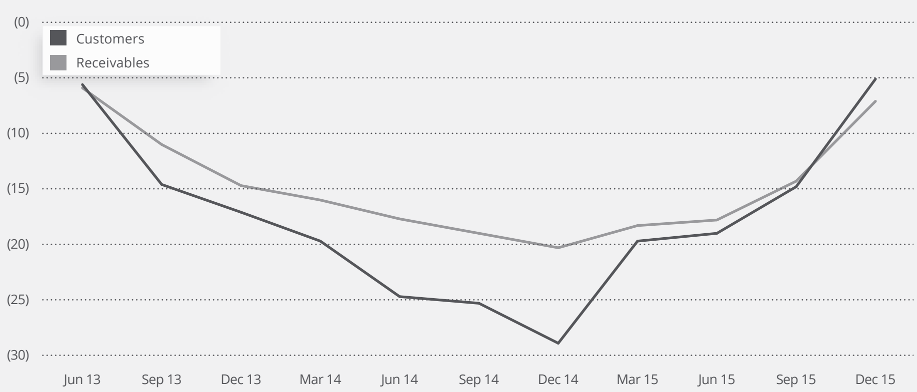
The increase in revenue yield and reduction in impairment has produced a significant strengthening in the risk-adjusted margin to 82.2% at December 2015, up from 69.1% at December 2014.

The programme to deploy technology throughout the field operation to support an improvement in productivity and implement market-leading compliance was completed well ahead of schedule in 2015. In particular, all UK agents are now using both the collections and lending apps which resulted in a mid-year headcount reduction of 500 comprising field managers and the remaining field administration workforce. The headcount reductions secured annualised savings of approximately £14m with no impact on customer service levels. An exceptional restructuring cost of £11.8m has been incurred in 2015 in respect of associated redundancy costs (2014: £3.4m).

Overall, CCD costs for the year were £2.5m higher than in 2014. This comprised a £10.3m year-on-year increase in costs in the first half of the year, including a step-up in the investment in Satsuma of approximately £5m and an increase of some £3m in regulatory and compliance overheads, and a £7.8m reduction in the second half which benefited from the mid-year cost reductions referred to above.

Interest costs were 20.1% lower than 2014 compared with a reduction of 16.5% in average receivables. This reflects a reduction in CCD's funding rate from 7.1% in 2014 to 6.8% in 2015 due to a lower margin on the group's syndicated bank facility following the extension in January 2015 and the lower interest rate on the March 2015 retail bond.

CCD customer numbers and receivables
Year-on-year change %



Note
Change in customer numbers at December 2015 excludes the impact of 70,000 low-value delinquent balances sold to third-party purchasers.

"ALL OF OUR ACTIONS IN CCD ARE DRIVEN BY THE ETHOS OF LENDING RESPONSIBLY AND PROVIDING OUR CUSTOMERS WITH THE RIGHT PRODUCTS AND SERVICES."

CCD – Looking ahead

2015 has been another very good year of progress against our strategy. CCD has undergone a huge amount of change over the last two years in deploying technology, standardising processes, launching new products, developing underwriting and collections capabilities, investing in systems and controls to deliver high standards of compliance with regulation and developing our people and talent. Yet we have also achieved an important goal which we set ourselves in September 2013 when we repositioned the business – we have delivered modest year-on-year profits growth in 2014 and 2015 and have significantly increased the return on assets over that period.

In our Provident home credit business, the transition to a smaller better-quality, more cost-efficient business is now complete. The home credit market is mature but we are well placed to deliver excellent returns for our shareholders whilst continuing to serve our customers for many more years to come. The business is capable of delivering modest year-on-year growth.

In Satsuma, 2015 has been another year of investment both in developing our underwriting and the customer journey. We have continued to utilise our core skills in both CCD and Vanquis Bank to lend responsibly and put us in a solid position to build a sustainable business. The investment we have made over the last two years means that we are now well-placed to make a small profit contribution to CCD's profits in 2016. We are confident that we will cement a top-three market position, and together with glo, build a combined receivables book in excess of £300m in the medium term and deliver returns consistent with those currently being achieved by CCD.

The transfer of glo to Vanquis Bank during 2016 will allow management to focus on delivering the market opportunity in Satsuma and continue to improve performance in Provident. All of our actions in CCD are driven by the ethos of lending responsibly and providing our customers with the right products and services. Maintaining our high levels of customer satisfaction continues to be central to our business. We have a clear, focused and deliverable strategy and we have a strong management team with a combination of in-house experience and proven external track records to deliver it.

CCD remains a highly profitable and cash-generative business and fundamental to the group's high dividend payout ratio.

NO CAR, NO JOB

moneybarn
credit you can trust

I had been trying to get a loan from the bank when I started having trouble with my old car but I wasn't having much luck. I knew it was time to replace my car for work, holidays and family life. I found the car I wanted at a garage and Moneybarn were really straightforward as I had a job and a regular income. I completed the paperwork and my new car was ready to collect after three days. I chose Moneybarn due to their good customer service. I could speak to them directly over the phone and they were very helpful with everything I needed.

Angelo

Read more about Moneybarn from page 52

Strategic report

Divisional review

Moneybarn
Non-standard vehicle finance

MONEYBARN

Moneybarn is the leading provider of non-standard vehicle finance in the UK. By assessing every customer's personal history, needs and situation, the business is able to make responsible lending decisions and help its customers get to work.

£21.3m
Profit before tax

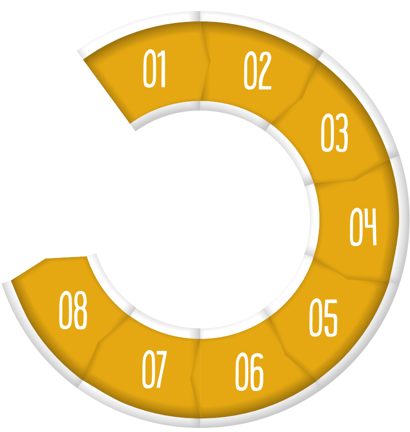
151
Employees

£219.6m
Year-end receivables

31,000
Customers

£9,000
Average loan size

How our model applies to Moneybarn



Read more about the group business model on pages 12 and 13

How we create value

1. Secure longer-term, lower rate funding

> Intercompany loan provided by PFG.
> Guarantor to group bank facilities.

2. Develop tailored products to meet customers' needs

> A remotely underwritten conditional sales agreement to buy a second-hand car or van.
> Allows customer to get to work (not a discretionary purchase).
> Security of vehicle provides access to lower cost funding than would otherwise be available.
> Manageable monthly payments.
> High levels of customer satisfaction.

3. Attract target customers

Typical customer:

> Full-time employed;
> Average incomes of between £20,000 and £30,000;
> Limited indebtedness;
> Typically lives in own/rented accommodation; and
> Average age of between 35 and 45 years old.

Channels to market:

> Primarily B2B through strong broker and dealer relationships; and
> Cross selling to Vanquis Bank customers through email campaigns.

4. Assess affordability and credit worthiness

> Bespoke credit scoring using a range of data sources.
> Use of external credit bureau data.
> Perform vehicle valuation check using Glass's guide.
> Leading class IT provides an underwriting decision in four seconds.

5. Lend responsibly

> Loans range from £4,000–£25,000. Average loan of c.£9,000.
> Average term of between four and five years.
> Representative APR of 33.9%.

6. Collect repayments due

> Repayment taken through a monthly direct debit payment from the customer's bank account.
> Experienced UK-based contact centre team.

7. Manage arrears and customer difficulties

> Immediate contact made when payments are missed.
> Multiple forbearance methods available.
> Car re-possessed when it is in the best interests of the customer and Moneybarn to realise its value.

8. Pay for funds and generate surplus capital to deploy

> High ROA business.
> Despite strong growth, the business is already generating sufficient capital to fund its own rapid growth.

Strategic report

Divisional review – Moneybarn

Non-standard vehicle finance

Moneybarn is the leading provider of non-standard vehicle finance in the UK. The non-standard vehicle finance market shrank considerably as a result of the credit crunch, as mainstream and specialist participants reduced their lending, collapsed or exited the market. It has recovered in recent years but remains around half of the size it was in 2007 which represents an excellent growth opportunity for the business.

Peter Minter
Managing Director
Moneybarn

What is Moneybarn?

Moneybarn helps those who may have had problems with credit in the past but who are now over those problems, get to work, take their children to school and live their lives. We offer secured second-hand car loans in a responsible manner through conditional sales contracts. Our contracts are typically for between four and five years with instalments paid monthly. The average value of a loan is around £9,000. We do not sell any ancillary products, such as PPI or GAP insurance, and we do not have hidden fees or charges, demonstrating a strong cultural fit with the group.

Our customers are very similar to Vanquis Bank customers. They have a thin or impaired credit history and often find it difficult to access credit from more prime lenders. They have an average age of around 40, are employed or self-employed and have an income level around the national average of £25,000.

The primary source of new customer leads is through a network of well-established brokers. They value our service levels, technology and the excellent relationships that we forge with them. We also source leads through independent car dealers and a very small number from our own website www.moneybarn.com.

We have developed market-leading credit decisioning. Our underwriting is highly automated which allows for rapid profiling and provisional approval of customers, providing us with a competitive advantage. Our credit science is based on a combination of external credit bureau data, our own proprietary scorecards and policy rules. The underwriting process includes robust affordability assessments, including obtaining proof of income, to ensure that we only lend when it is responsible to do so.

Collections are normally made through fixed monthly direct debit payments. If a customer gets into financial difficulties during the term of the loan, then our customer services team will work closely with the customer to help them get back on track. This may include a temporary payment arrangement for short-term financial difficulties. However, for those customers who demonstrably can no longer afford the ongoing repayments, the most appropriate exit strategy is often through the repossession and sale of their vehicle to settle their loan before the vehicle depreciates further.

We have a highly scalable IT platform that supports the end-to-end customer journey. We were the first non-standard lender in the market to adopt automated underwriting decision making. Our IT system is completely bespoke, having been developed in-house, and our in-house IT team is able to respond quickly to business requirements and ensure that we remain at the forefront of technology.

Finally and very importantly, we have a strong cultural appetite for compliance and meeting our regulatory obligations. Paramount to this is treating customers fairly. Like the rest of the group, we enjoy high levels of customer satisfaction.

> WE HELP THOSE WHO MAY HAVE HAD PROBLEMS WITH CREDIT IN THE PAST BUT WHO ARE NOW OVER THOSE PROBLEMS, GET TO WORK, TAKE THEIR CHILDREN TO SCHOOL AND LIVE THEIR LIVES.

2015 in focus

2015 was the first full year of Moneybarn operating under Provident Financial's ownership since its acquisition in August 2014. The business has performed very well, growing new business volumes strongly, at the same time as making significant progress in developing the product proposition and investing in IT infrastructure and people.

1. Development of the product proposition

Prior to acquisition, Moneybarn only lent up to the trade value of the vehicle and had a minimum lend of £5,000. The product offering was extended in September 2014 to lend up to the retail value of the vehicle and the minimum lend was reduced from £5,000 to £4,000 in early 2015. Both of these measures better aligned Moneybarn with the competition and has reinforced its primacy with the broker network as brokers can now satisfy a greater proportion of their volumes through Moneybarn. Together with access to the group's funding lines, this has allowed a significant pick-up in new volumes in 2015.

In the second half of 2015, Moneybarn commenced marketing its car finance proposition to Vanquis Bank customers. Initial email campaigns have demonstrated that an opportunity for incremental sales is present. The full benefit from the cross-sell opportunity will take some time to develop as awareness continues to build and Vanquis Bank customers look to replace their existing vehicles.

During the second half of the year, Moneybarn began a trial to test the appeal of financing used light commercial vehicles (LCVs) through its broker network. LCVs or 'white vans' are typically needed by self-employed plumbers, builders and electricians who may have a thin credit history and therefore represent a good fit for a Moneybarn loan. The used LCV market is around 15% of the size of the used car market and represents an excellent incremental new customer source. The initial results of the trial are encouraging and this line of business will be developed through 2016.

Moneybarn is continuing to explore other opportunities to develop and extend the product offering, including different price points and product propositions.

2. Investment in IT and people

During 2015, Moneybarn has continued to invest in the resources necessary to support future growth, meet higher regulatory standards under the FCA and bring governance processes into line with the rest of the group. As a result, headcount has increased from 90 to 151 since acquisition in August 2014 with significant increases in customer service, the new business team and IT. In order to accommodate the increased headcount, we have expanded our office facilities in Petersfield by utilising some existing spare capacity in our current building.

We have continued to invest in our IT infrastructure during 2015. In particular, we implemented an enhanced version of our new business software to ensure our service levels to brokers' remains best in class. We have also invested in server capacity and resilience to meet the higher standards of the group and enable us to recover our systems rapidly in the event of a business continuity event. More recently, we have installed a new phone system in order to meet increased capacity, improve efficiency and continue to maintain high levels of customer service.

Strategic report

Divisional performance – Moneybarn

3. Financial performance

Moneybarn generated a profit before tax, amortisation of acquisition intangibles and exceptional costs of £21.3m in 2015 (2014: £5.8m in the four months post-acquisition; £15.0m for the 2014 full year on a pro forma basis restated to apply the group's lower cost of funding to pre-acquisition results).

Moneybarn has performed very well during its first full year of ownership, delivering an increase in adjusted profits of 42.0% against pro forma 2014 profits. Strong growth in the receivables book together with stable delinquency have enabled the business to invest in headcount to support growth whilst delivering a stable return on assets of 12.9% (2014: 12.9%).

New business volumes in 2015 have been strong as the business continues to benefit from the group's funding since acquisition in August 2014. The extension of the product offering to lend up to retail value and the reduction in the minimum lend from £5,000 to £4,000 has reinforced primacy amongst Moneybarn's broker network. Accordingly, new business volumes in 2015 were 69% higher than 2014. Fourth quarter growth was 28% higher than the comparative period in 2014 which was the first quarter under the group's ownership. Customer numbers ended December at 31,000 (2014: 22,000).

The strong growth in new business volumes has resulted in receivables growth of 44.8% to £219.6m at December 2015. Average new loan sizes have remained broadly comparable to last year at around £9,000.

Default rates through 2015 have remained broadly stable and have enabled the business to generate a risk-adjusted margin of 24.3% at December 2015, little changed from 24.6% at December 2014.

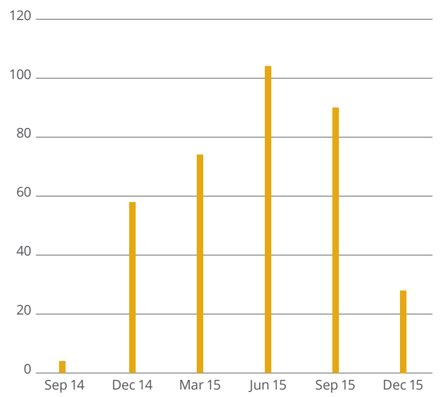
2015 cost growth of 40.5%, was similar to average receivables growth of 41.2%. This reflects the continued investment in the resources necessary to support future growth, meet higher regulatory standards under the FCA and bring governance processes into line with the rest of the group.

Interest costs have shown growth of 31.9% during 2015 compared with average receivables growth of 41.2%. The lower rate of growth in interest costs reflects the retention of profits since acquisition as the capital base is increased towards the group's target gearing ratio of 3.5 times.

	Year ended 31 December			Four months ended 31 December
	2015 £m	Pro forma[1] 2014 £m	Change %	Post-acquisition 2014 £m
Customer numbers ('000)	**31**	22	40.9	22
Year-end receivables	**219.6**	151.7	44.8	151.7
Average receivables	**190.8**	135.1	41.2	143.4
Revenue	**55.3**	38.0	45.5	13.8
Impairment	**(8.9)**	(4.7)	(89.4)	(1.2)
Revenue less impairment	**46.4**	33.3	39.3	12.6
Risk-adjusted margin[2]	**24.3%**	24.6%		
Costs	**(15.6)**	(11.1)	(40.5)	(4.2)
Interest	**(9.5)**	(7.2)	(31.9)	(2.6)
Adjusted profit before tax[3]	**21.3**	15.0	42.0	5.8
Return on assets[4]	**12.9%**	12.9%		

1 Restated to apply the group's lower cost of funding to pre-acquisition results.
2 Revenue less impairment as a percentage of average receivables.
3 Adjusted profit before tax is stated before the amortisation of acquisition intangibles of £7.5m (2014: £2.5m) and an exceptional cost of £nil (2014: £3.9m) in respect of acquisition-related expenses.
4 Adjusted profit before interest after tax as a percentage of average receivables.

Moneybarn – Quarterly growth in new business volumes (%)



Looking ahead

2015 has been an excellent year for Moneybarn. The exciting opportunities that have arisen from becoming part of the Provident Financial group have enabled us to help more non-standard credit market consumers get access to the vehicle they need for everyday life. The increased volume of new business written during 2015 is very encouraging and leaves us well placed as we enter 2016.

At the group's Investor and Analyst Event in April 2015, we announced the medium-term potential for Moneybarn as generating receivables of between £300m and £400m in the medium term. Our receivables at the end of 2015 of nearly £220m show we are well on track. However, we do not view this as an end position, and our strong performance in 2015, together with further opportunities to extend our product proposition in 2016 and beyond, leave us very well placed against this potential.

We are delighted with how Moneybarn has performed since becoming part of the group. Our highly scalable platform, strong broker relationships and quality and enthusiasm of our management team and employees gives us confidence that we will continue to be a very important contributor to the future growth in the group's earnings.

Risk management and principal risks

Risk management

Our risk management framework is firmly embedded within our management and governance processes, and incorporates the internal controls processes set out on page 58. The framework has been in operation throughout 2015 and continues to operate up to the date of approval of this annual report. It is the process by which compliance with laws and regulations, the reliability of financial reporting and the effectiveness and efficiency of operations are reviewed. The framework assists in the identification, evaluation and management of principal risks as required by the Code, and is designed to manage rather than eliminate the risk of failure to achieve business objectives. The board believes the framework provides reasonable, but not absolute, assurance against material misstatement or loss.

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Further insight into the group's principal risks, and the management of these is on pages 62 to 65.

The group operates a 'three lines of defence' model: the first line involves the operational identification, assessment and management of risk; the second line involves independent review and challenge of first line actions against established risk appetites; and the third line is independent assurance.

The board provides oversight to help ensure that the group and its divisions maintain sound risk management and internal control systems. Through the risk advisory committee, it reviews the assessment of risks and the risk management framework.

A consistently applied method is used at divisional and group level to identify the key risks that could have a significant impact on the ability of the group to achieve its objectives. Risk owners within the divisions and the corporate office are identified and given responsibility for ensuring actions are implemented with appropriate review dates. The risk registers are reviewed by the risk advisory group and updated at least quarterly. The risk advisory committee is responsible for monitoring the key metrics identified by the divisions and the corporate office in the management of risk and ensures, in particular, that customer outcomes remain central to the group's risk management programme.

The board is satisfied that the company's risk management and internal control systems are effective and were effective throughout 2015 and up to 23 February 2016. The board does this through the audit committee, which: (i) reviews the work of the group internal audit function and the opinion issued on risk and control effectiveness; and (ii) actively monitors the risk management and internal control systems on an ongoing basis.

This annual review and ongoing monitoring confirms that the risk management framework and internal control systems effectively support and manage the achievement of the overall group objectives and provide suitable protection of the group's assets, reputation and sustainability. A strong risk and control culture was identified in all divisions and areas where improvements could be made were identified. An action plan has been established to ensure that the systems and processes continue to evolve as the regulatory environment in which the group operates continues to change.

The group finance function establishes the process and timetable for financial reporting and consolidation activities and identifies and approves changes to accounting and financial reporting standards. The board believes the process and the key elements of the internal control system, including in particular the financial reporting processes, are in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting ('the FRC's Guidance') and the FCA's Disclosure and Transparency Rules.

Strategic report

Risk management and principal risks (continued)

Internal control

Monthly management accounts

Monthly management accounts are prepared comparing actual trading results by division to the board approved budget and the prior year. Regulatory capital levels, funding, liquidity and economic trends are also reported monthly. A rolling forecast of the full year outturn is produced as part of the management accounts. Management accounts are distributed to the executive directors and senior management team on a monthly basis and are distributed to the board for each board meeting.

Corporate policies

The board requires the divisions and the corporate office to operate in accordance with the corporate policies and to certify compliance on a biannual basis. This includes confirmation of compliance and any suggestions for improvements. This ensures that the process remains dynamic and that the divisions and corporate office are operating at the highest level. The corporate policies were last updated in July 2014 and are due to be reviewed and updated in 2016.

The board

Reviews the risk management framework annually to ensure that it remains fit for purpose and complies with relevant laws and regulations including the Code.

Biannual budget process

In December each year, the board approves detailed budgets and cash flow forecasts for the year ahead. It also approves outline projections for the subsequent four years. An update to the budget is approved in June each year.

Finance forum including treasury committee

A six-weekly finance forum, chaired by the Finance Director and attended by divisional finance directors and senior finance management including the heads of tax, audit, treasury and risk, reviews and provides oversight of the key financial matters of the group.

Risk advisory committee

Chaired by a non-executive director of the board, it is responsible for ensuring that there is an appropriate risk management framework embedded across the group.

Internal audit

Regularly reviews the adequacy of internal controls (including financial, operational and compliance controls) in conjunction with the external auditor and reports to the risk advisory group, risk advisory committee and audit committee. An annual programme of work which targets and reports on higher-risk areas is carried out by the group internal audit function. The operation of internal financial controls is monitored by regular management reviews, including a requirement for each division to certify compliance quarterly.

Risk advisory group

Formally reviews the divisional risk registers four times a year, and reports to the risk advisory committee.

Divisional boards

The divisional boards and their committees are responsible for managing the divisional risks and preparing divisional risk registers for review by the risk advisory group who report to the risk advisory committee.

Whistleblowing

Whistleblowing policies are in place in each of the group's divisions. The group is committed to the highest standards of quality, honesty, openness and accountability and employees are encouraged to raise genuine concerns under these policies either by contacting a manager or telephoning a dedicated external helpline in confidence. During 2015, this external helpline was operational throughout the group and procedures are in place to ensure issues raised are addressed in a confidential manner. The Company Secretary is required to report to the audit committee in December each year on the integrity of these procedures, the state of ongoing investigations and conclusions reached.

During 2015, 11 complaints were received, which is an increase from previous periods and is the result of an awareness campaign carried out in 2015 following updates to the whistleblowing policy and the third-party provider marketing material. All complaints made via the external helpline were thoroughly investigated and dealt with in accordance with the appropriate internal procedures. As the Republic of Ireland (ROI) introduced new whistleblowing legislation in 2014, the group took this as an opportunity to review and update its whistleblowing procedures for both the UK and ROI and to ensure that employees are aware of the availability of the external helpline.

Three lines of defence model

- First line
- Second line
- Third line

Viability statement

In accordance with the 2014 FRC Corporate Governance Code, the directors confirm that they have a reasonable expectation that the group will continue to operate and meet its liabilities, as they fall due, for the next three years. The directors' assessment has been made with reference to the group's current position and prospects outlined within the strategic report, the group's strategy (see pages 14 to 17), the board's risk appetite and the group's principal risks and how these are managed (see pages 62 to 65).

The group established its current strategy after the demerger of its international business in 2007. The strategy is built on a compelling investment proposition that focuses on delivering to shareholders a combination of strong returns, an attractive dividend and visible growth (see page 10).

The strategy and associated principal risks underpin the group's three year plan and stress/scenario testing, which the directors review at least annually.

The three-year plan is built on a divisional basis using a bottom up model, as part of a five-year budget. The first three years of the budget plan command the greatest focus, with the later years produced robustly, but at a higher level. The first three years of the budget plan therefore forms the basis of this statement. The three-year plan makes certain assumptions about future economic conditions, new strategies, products, the acceptable performance of the group's divisions, the ability to refinance debt as it falls due and the development of the regulatory environment.

The plan is stress tested in a robust downside scenario as part of the board's review of the group's Internal Capital Adequacy Assessment Process (ICAAP). Stress testing covers both significant financial and regulatory downsides. The financial stress test uses the 2008/09 financial crisis as its basis, and, therefore, reflect a number of the principal risks of the business through reducing new funds raised, lowering the deployment of capital and increasing impairment. The regulatory stress tests are based on fundamental changes in the business model as a result of regulatory intervention to control prices or outlaw products.

The review of the three-year plan is underpinned by the regular board briefings provided by the divisional managing directors and the discussion of any new strategies undertaken by the board in its normal course of business. These reviews consider both the market opportunity and the associated risks, principally conduct and credit risk. These risks are considered within the board's risk appetite framework.

The directors also considered it appropriate to prepare the financial statements on the going concern basis, as set out on page 73.

Risk in action

Vulnerable consumers

In February 2015 the FCA published an occasional paper on the subject of vulnerable consumers, laying out new guidance on the identification and treatment of anyone "who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care." Launching the paper, the FCA stressed the importance of the issue and the two key challenges which it considered firms faced: (i) securing board, as well as executive committee level buy-in for change; and (ii) making sure senior leader directions are then fully reflected in a suitably flexible customer experience, accounting for different needs.

The key question for the FCA was "How do we bridge that gap between policy intention on the one hand, and frontline delivery on the other?"

In response to the paper, each of the group's divisions began a thorough review of their own existing vulnerable consumer policies, procedures, processes, quality control monitoring and customer outcomes in light of the new clarity from the FCA. In response to the higher level issues highlighted by the FCA, the board requested a 'deep dive' on vulnerable consumer practices at the risk advisory committee in October 2015 to fully consider the issues, progress made and the extent to which the intended approach was delivered in the frontline. Specific time was set aside in the committee to discuss the issue and the divisions prepared materials including case studies of actual customer situations in order to demonstrate how the challenges were being addressed. The managing directors and chief risk officers of the divisions attended the 'deep dive' session at the committee in order to discuss the issues and answer questions from committee members.

As a result of the new guidance, the review of previous approaches, the attention of the board's risk committee and the engagement of all levels of management, significant progress has been made in 2015 in handling vulnerable consumers. Changes have been made to the identification and handling of vulnerable consumers, with specialist resource dedicated to the issue along with the tracking and monitoring of cases and outcomes. Further refinement has been identified and planned going forward. The approaches used, and training delivered has benefited from the expertise of external bodies specialising in the various drivers of vulnerability, and will continue to do so.

The group business model and products are founded on higher levels of flexibility and personal contact than prime issuers to match the needs of non-standard customers. The group's approach is naturally suited to dealing sympathetically with the variety of needs of those who find themselves in difficult personal circumstances. The challenge is often to ensure consistency and tracking of customer outcomes, and to be able to demonstrate that customers with a wide variety of needs have been treated appropriately in the frontline as intended.

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Read more about a vulnerable customer's support journey on pages 60 to 61

Risk management and principal risks (continued)

Vulnerable customer support journey

New credit card customer

Normal use of credit card

Indication of potential vulnerability

Vanquis Bank's 'low and grow' cardholder example

John was delighted to be accepted for his first credit card with a £250 credit limit.

John uses his credit card, makes repayments, building a credit history, qualifying for an increase in credit limit to £500.

After 18 months, John starts missing payments.

Contact centre team

During a regular collections call, John mentions that he has recently had a severe mental breakdown following a difficult divorce and family bereavement, and is finding it difficult to cope with his finances or anything else at the moment. He is currently signed-off from work and under the care of a mental health crisis team.

A member of the contact centre team uses the TEXAS protocol and with consent, captures details within the 'Customer Care' page. With John's agreement, they would like to pass him through to the Specialist Support team who are better placed to talk through the appropriate options available to John.

Specialist assessment

Resolution plan developed

Issues resolved

John is transferred to a specialist who has a lengthy discussion with him about his situation.

Based on a full review of John's current medical and financial situation, an affordable payment plan is agreed which will be monitored closely by the Specialist Support team.

John is eventually able to return to work and resume the normal use of his credit card, but has the Specialist Support number should he need support again from them.

Specialist Support team

John's account is 'flagged' as particularly vulnerable, taking it out of mainstream collections. John is transferred to a member of the Specialist Support team who has a further in-depth conversation with him about his current situation and what support he needs.

All of our contact centre team receive initial and ongoing training to help recognise and deal with possible vulnerable customers. They use a technique developed by the Money Advise Trust/Royal College of Psychiatrists – **T**hank, **E**xplain, e**X**plicit consent, **A**sk, **S**ignpost (TEXAS) – to construct calls. Calls will also be augmented with 'Speech Analytics' monitoring to automatically highlight calls and cases for review to ensure customers are handled appropriately.

Specialist members of our team are able to offer a range of forbearance options to help vulnerable customers, dependent upon their situation and needs. This may include offering breathing space, short-term or long-term payment plans with interest and charges reduced or frozen, or in some serious cases, a decision may be taken that the debt will no longer be pursued.

The 'Customer Care' page alerts front-line members of staff in all business areas that a customer has disclosed and consented to sensitive information being noted onto their account. This alert allows our team to tailor their conversation appropriately right from the start of the call.

We also use external expertise including partnerships with Macmillan, Shelter, Samaritans and Step Change as well as guidance from the FCA and the BBA taskforce who are currently considering the issues.

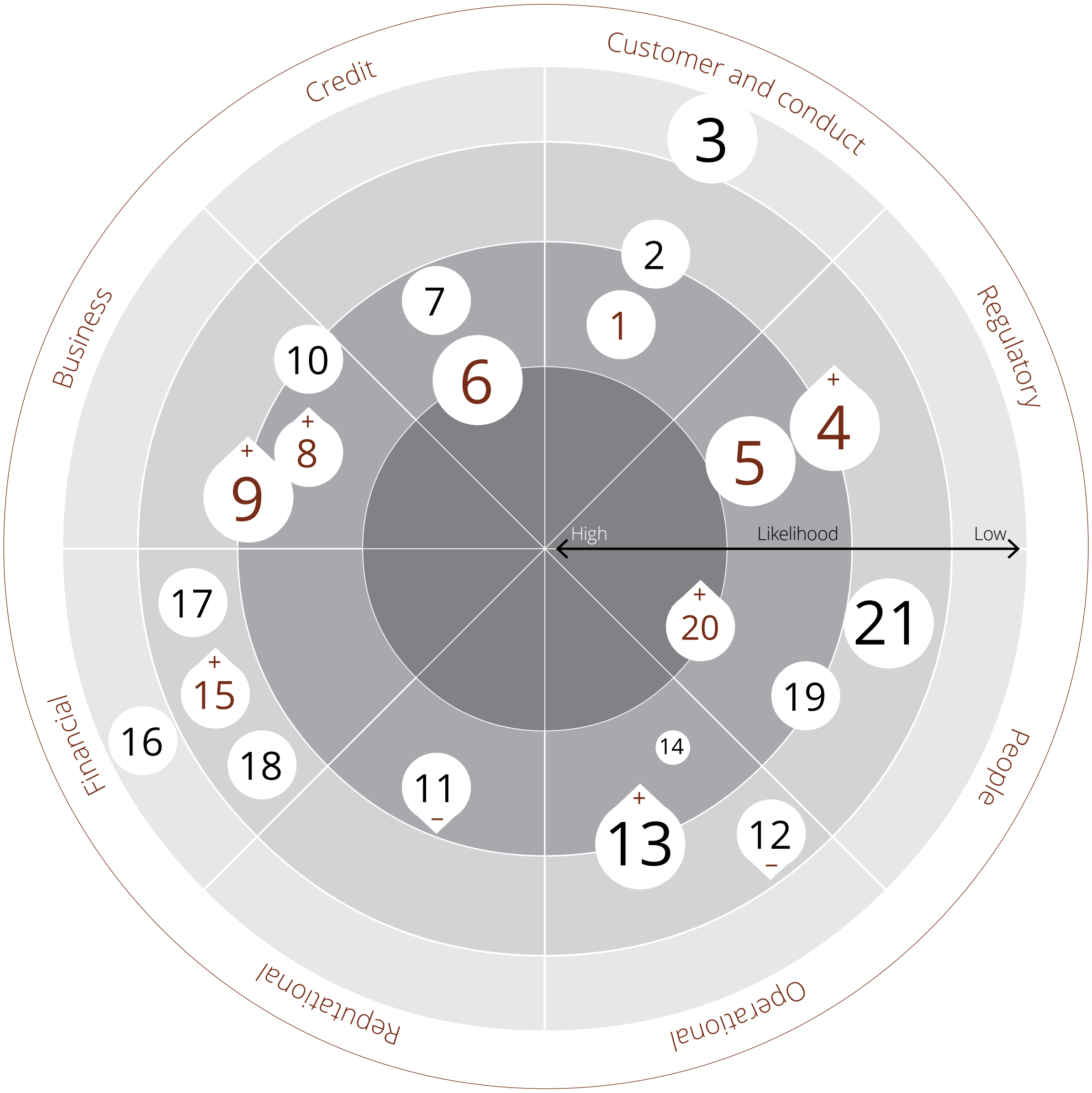
All calls are recorded and monitored. Monthly case studies are discussed in detail with senior management and any complaints are analysed and action taken to avoid a repeat of the situation giving rise to the complaint. Internal thematic reviews are conducted on specific issues along with group internal audit and external legal reviews.

Our processes are designed to comply with The Equality Act 2010, The Mental Capacity Act 2005, CONC, SYSC, TCF, The Data Protection Act 1998, and EHRC guidelines.

Strategic report

Risk management and principal risks (continued)

Provident Financial Group risk map



Principal and emerging risks

1 Conduct
2 Responsible lending
3 Agent/customer relationship
4 UK regulation
5 EU regulation
6 Credit
7 Home credit collections
8 Competition
9 New initiatives
10 Change management
11 Publicity and political
12 Information security
13 Supplier
14 IT change management
15 Capital
16 Liquidity
17 Pension
18 Tax
19 Remuneration
20 Recruitment and retention
21 Self-employment status

Selected risks discussed in more detail

Impact

HIGH MED LOW

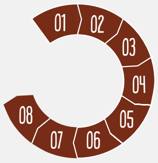
+ Increase from 2014
– Decrease from 2014

Likelihood

High/current principal risks

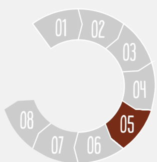
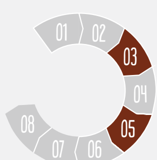
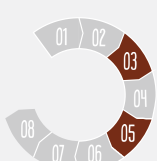
Low/emerging risks

Risks in more detail

Relation to business model	Selected key risks	Risk mitigation	Change and progress in 2015
	1. Conduct: The risk of poor outcomes for customers in any of the group's divisions.	All divisions have policies, practices and procedures in place to: > Minimise the risk of customers potentially receiving loans or lines of credit that are unaffordable or unsustainable. > Ensure that financial promotions are clear, fair and not misleading. > Ensure effective complaints handling. Regular customer satisfaction surveys are undertaken in all businesses. Vanquis Bank has had treating customers fairly (TCF) principles firmly embedded into the business since they were introduced by the FSA in 2007 and CCD has been operating a first line Customer and Conduct Risk Committee during the transition to FCA regulation in order to help embed customers' interests at the heart of the business. All businesses have second line risk committees overseeing all risks, with conduct issues central to the agendas. Vanquis Bank also has a second line compliance committee focused on FCA rules and guidelines and a customer experience forum to ensure issues are considered from a customer perspective. The risk advisory committee has oversight of the divisional risk frameworks and devotes at least half its time specifically to conduct risk.	Conduct has remained a central focus of the FCA. Customer satisfaction has remained high and complaints low in all divisions. FOS rulings in favour of customers remain low for all divisions, reflecting internal efforts to resolve any issues that arise quickly and fairly. Vanquis Bank and CCD have continued to develop and improve their conduct risk frameworks and management throughout the year, including particular focus on the treatment of vulnerable consumers following FCA guidance published in February 2015. Moneybarn has put in place formal conduct risk management and monitoring processes, and continues to lead the industry in ensuring FCA-compliant broker commission structures and behaviours are in place.
	4. UK Regulation: The risk of adverse regulatory change and/or failure to comply with relevant UK regulatory requirements. 5. EU Regulation: The risk of adverse regulatory change and/or failure to comply with relevant EU regulatory requirements.	Divisional compliance functions are in place which monitor compliance with relevant regulations and report to divisional boards. An experienced central in-house legal team is in place which monitors legislative changes and supports divisional compliance and legal functions. Expert third-party legal advice is taken where necessary. Ongoing constructive dialogue is maintained with regulators and the group plays a full and active part in all relevant regulatory reviews and consultation processes. Group chief executive, Peter Crook, and Moneybarn managing director, Peter Minter, are active members of the FCA Practitioner Panel and FCA Smaller Business Practitioner Panel respectively.	CCD and Moneybarn submitted applications to the FCA for full authorisation in May 2015, following Vanquis Bank's application for a variation in its existing permissions in December 2014. The group has received and continues to receive enquiries from its regulators including the FCA, including in connection with its requests for its authorisations and variation of permissions. The group's businesses continue to have a constructive dialogue with regulators, responding to questions and information requests. However, the outcome of such enquiries is inherently uncertain and there is a risk of a potential adverse impact on the group. The FCA introduced a cap on the cost of High Cost Short Term Credit (HCSTC) in January 2015. Satsuma is the group's only business subject to the cap and continues to operate within the cap's constraints, as it did from launch. The FCA published the interim report of its credit card market study in November 2015 noting that consumers were engaged and open to switching providers and that competition was working fairly well for consumers. The FCA is seeking views on a range of potential remedies to make the market work better, before consulting on final proposals to be published in Spring 2016 for consultation.

Strategic report

Risk management and principal risks (continued)

Relation to business model	Selected key risks	Risk mitigation	Change and progress in 2015
	**6. Credit:** The risk of suffering unexpected losses in the event of customer defaults.	All businesses have first line credit committees that set policy and regularly review credit performance. Comprehensive daily, weekly and monthly reporting is produced on credit KPIs. All businesses have non-standard specific lending experience spanning economic cycles. Home credit loans are underwritten face-to-face by agents in the customer's home; agents generally maintain weekly contact with the customer and stay up to date with their circumstances; agents' commission is predominantly based on collections, not credit issued; application and behavioural scoring is used to assist agents' underwriting. Vanquis Bank utilises a welcome call and 'low and grow' approach to granting credit appropriately as the customer demonstrates sustainability and affordability. CCD loans are small-sum and short-term in nature and Vanquis Bank credit card lines are far lower than mainstream equivalents. Vanquis Bank's expertise in collections and credit assessment has been applied to Satsuma, glo and Moneybarn.	All divisions have maintained tight underwriting standards on both new and existing customers. During 2015, CCD completed full roll-out of smartphone apps to all home credit agents which automate and evidence the lending process for the agent. Vanquis Bank arrears continued to run at record lows. Significant further improvement in credit quality within home credit. Moneybarn default rates remained stable. Continued refinement of Satsuma underwriting standards, with material tightening in October 2015.
	**8. Competition:** The risk that new or existing competitors impact business performance unexpectedly.	Ongoing monitoring of all existing markets and competitors at a group and divisional level feeding into the biannual budgeting and strategy review process. Historic, current and forward looking analysis of the group's sectors and the UK non-standard credit market in general. Product development frameworks and business development processes in all divisions take account of the external environment and competition.	Competition in UK credit cards remains consistent with Barclaycard Initial, NewDay and Capital One all being active. However, Vanquis Bank has been able to maintain the flow of new accounts and continue to grow the business in line with its plan. Home credit has seen further consolidation and a new entrant in Non Standard Finance plc acquiring S&U's business. Satsuma's high-cost, short-term competitors have reduced in scale, having had to adapt to a rate cap, a tougher regulatory regime and go through a number of redress processes during 2015. Moneybarn has successfully doubled the volume of new business since acquisition having been freed from funding constraints.
	**9. New initiatives:** The risk that new businesses and new initiatives under development internally fail, or are delayed in achieving scale or expected returns.	Biannual budgeting process. Annual corporate planning conferences in CCD, Vanquis Bank and at group level where current and potential new initiatives are thoroughly discussed. Comprehensive daily, weekly and monthly reporting on performance KPIs. New businesses and initiatives are subject to pilot testing phases before full implementation is approved.	Further investment of £5m in developing Satsuma in 2015, leveraging Vanquis Bank collections capabilities. Satsuma is now expected to produce a small contribution to CCD's profits in 2016. Guarantor loans pilot, glo, has confirmed the potential of a business capable of delivering the group's target returns. glo will be rolled out and, subject to regulatory approval, transferred from CCD to Vanquis Bank during 2016 where the management capacity and business skills required to develop the business are readily available. Vanquis Bank closed its Polish credit card pilot, as it was determined that the pilot could not achieve the group's target returns in an acceptable timescale. Vanquis Bank will focus on the UK market going forward.

Relation to business model	Selected key risks	Risk mitigation	Change and progress in 2015
	15. Capital: The risk that the group might have insufficient capital to meet our regulatory and/or business requirements or that regulatory capital requirements increase significantly.	The group maintains surplus regulatory capital. The surplus over the PRA (Prudential Regulation Authority) capital guidance is assessed when determining the group's actual and budgeted dividend payments to ensure the buffer is maintained. Regulatory capital is monitored monthly and reported through the management accounts to the Treasury Committee and the board. All budget and plans assess the impact on regulatory capital. The group has a good working relationship with its supervisor at the PRA. Senior management and directors from all key functions are involved in the planning and production of the ICAAP (Internal Capital Adequacy Assessment Process) to ensure the ICG (Individual Capital Guidance) set for the group and Vanquis Bank is appropriate.	The group continues to hold surplus regulatory capital above the ICG set by the PRA. The regulatory environment continues to be subject to change and IFRS 9, which introduces expected loss accounting and will be implemented in 2018, together with the new Pillar 2 capital buffers implemented under CRR, will impact regulatory capital levels.
	20. Recruitment and retention: The risk that the group is unable to recruit and/or retain key management and staff impacting business performance	Succession planning is assessed across all divisions. A recruitment strategy is established for each critical role prior to commencing recruitment. The recruitment process embraces competency based assessments to assist in finding the right person for the role. Continued focus on retention initiatives such as performance management, development plans, encouraging internal transfers wherever appropriate, performance and quality driven reward frameworks. Focus on employee turnover levels, exit interviews, monitoring and identifying trends, implementing changes to recruitment and retention strategies as needed. Regular business updates given to employed staff as well as forums encouraging open, two-way communication. Employee feedback sought by way of an employee attitude survey. Turnover, recruitment, and attendance activity regularly reviewed as part of divisional monthly MI packs.	Moneybarn has successfully scaled up employee levels in key areas to handle a doubling of new business flows utilising growth space in current building. All divisions have a cash-based equity plan which is intended to provide a long-term incentive for a population of staff through deferred bonus arrangements based on the group's share price. The group, CCD and Moneybarn have successfully recruited specialists to put in place three lines of defence risk management and systems and controls required by FCA rules and guidance (these were already in place in Vanquis Bank). Specific areas of challenge in either recruiting or retaining the right staff across all divisions have been identified and targeted actions are underway to address them.

Strategic report

Financial review

Our financial strategy

The group's strategy to deliver high returns is underpinned by the group's consistent financial model.

Andrew Fisher
Finance Director

High returns business

Dividend policy	Gearing	Growth
Cover ≥1.25x	≤3.5x versus covenant of 5.0x	Supports receivables growth of £275m+

The group's financial strategy is to grow high-return businesses in order to provide high shareholder returns.

To support the delivery of the group's strategy, the group operates a strict financial model that aligns dividend policy, gearing and growth plans.

The financial model has been developed, and applied consistently, to ensure that the group maintains a robust capital structure, providing a comfortable level of headroom against banking covenants, including the gearing covenant of 5.0 times, and the regulatory capital requirements set by the Prudential Regulation Authority (PRA).

The strong capital generation of the businesses in which the group invests supports the distribution of up to 80% of its post-tax earnings by way of dividend. This allows the business to retain sufficient capital to support receivables growth consistent with management's medium-term growth plans and a maximum gearing ratio of around 3.5 times. The financial model is underpinned by the group's consistent application of prudent and appropriate accounting policies.

How this works in practice:

- 2015 adjusted pre-tax profit amounts to £293m (prior to the amortisation of acquisition intangibles and exceptional items which equates to a profit after tax of £234m (tax at 20.25%);
- Dividend cover in recent years has been around 1.35 times which amounts to dividends of £173m (£234m/1.35);
- Equity retained in the business to fund growth equals £61m (£234m less £173m);
- Target gearing ratio of 3.5 times allows debt funding of £214m (£61m multiplied by 3.5);
- Provides total funding and capital for receivables growth of £275m (£61m plus £214m); and
- Pre-tax profit in excess of £293m allows dividends to be increased and receivables growth in excess of £275m.

Table 1: **Calculation of ROA**

£m	2015 Vanquis Bank (UK)	2015 CCD	2015 Moneybarn	2015 Group	2014 Vanquis Bank (UK)	2014 CCD	2014 Moneybarn[2]	2014 Group
Adjusted profit before tax[1]	**185.5**	**105.4**	**21.3**	**292.9**	151.0	103.9	15.0	234.4
Interest	**43.1**	**27.1**	**9.5**	**80.0**	39.7	33.9	7.2	77.5
Adjusted PBIT	**228.6**	**132.5**	**30.8**	**372.9**	190.7	137.8	22.2	311.9
Taxation (20.25%/21.50%)	**(46.3)**	**(26.8)**	**(6.2)**	**(75.5)**	(41.0)	(29.6)	(4.8)	(67.1)
Adjusted PBIAT	**182.3**	**105.7**	**24.6**	**297.4**	149.7	108.2	17.4	244.8
Average receivables	**1,157.1**	**499.5**	**190.8**	**1,851.2**	967.2	598.5	135.1	1,623.9
ROA	**15.8%**	**21.2%**	**12.9%**	**16.1%**	15.5%	18.1%	12.9%	15.1%

1 Prior to the amortisation of acquisition intangibles of £7.5m (2014: £2.5m) and exceptional costs of £11.8m (2014: £7.3m).
2 Restated to apply the group's lower cost of funding to pre-acquisition results.

Returns

Delivering high returns remains at the heart of the group's financial model to deliver the group's strategy.

Management assesses the relative performance of each business through a return on assets (ROA) measure. The group calculates ROA as profit before interest, amortisation of acquired intangibles and exceptional costs, after tax divided by the average receivables during the period. This ensures that the returns being generated by each business are not distorted by differences in the capital structure of each business and allows for better comparability. Table 1 sets out the calculation of ROA in 2015 and 2014.

The table currently shows the returns being generated by the Consumer Credit Division (CCD) as a whole as it is both difficult to separately allocate the CCD cost base to each business and it is meaningless to provide a separate ROA for Satsuma and glo in the early stages of their development.

Vanquis Bank delivered an ROA of 15.8% in 2015, up from 15.5% in 2014. The benefit from stable delinquency and operational leverage has more than offset the impact of a lower risk-adjusted margin following: (i) the changes made to the timing of the sale of Repayment Option Plan (ROP) and a number of its product features during the third quarter of 2013; and, (ii) lower interchange income following the European Commission agreement with Visa to reduce interchange rates which has had a phased impact in 2015.

CCD's ROA has strengthened from 18.1% to 21.2% in 2015 as the measures to improve margins through tighter underwriting and better collections processes, together with the cost reduction measures, have generated a modest increase in year-on-year profits on a smaller, better-quality receivables book. The ROA has been delivered despite the investment in building the capability at Satsuma and glo, enhancing IT processes to support the repositioned home credit business and embedding the governance and regulatory framework required to transition CCD to the Financial Conduct Authority (FCA).

Moneybarn's ROA has remained stable at 12.9% (2014: 12.9%), reflecting the investment in additional headcount to support future growth, meet the higher regulatory standards under the FCA and to bring governance processes into line with those of the rest of the group.

The group's overall ROA has increased from 15.1% in 2014 to 16.1% in 2015 primarily reflecting the improvement in CCD's ROA.

The group continues to calculate return on equity in order to assess the overall returns being generated for shareholders.

The group calculates ROE as profit after tax (prior to the amortisation of acquisition intangibles and exceptional costs) divided by average equity. Average equity is stated after deducting the group's pension asset net of deferred tax, the fair value of derivative financial instruments, and the proposed final dividend, consistent with the calculation of the group's regulatory capital base. Table 2 sets out the calculation of ROE in 2015 and 2014.

The group's ROE of 46% in 2015 is marginally lower than 2014, wholly due to the full-year impact of the £120m equity raised to fund the acquisition of Moneybarn in August 2014 to preserve regulatory capital levels.

Table 2: **Calculation of ROE**

£m	2015	2014
Adjusted profit before tax[1]	**292.9**	234.4
Tax	**(59.3)**	(50.4)
Adjusted profit after tax	**233.6**	184.0
Shareholders' equity	**707.7**	613.0
Pension asset	**(62.3)**	(56.0)
Deferred tax on pension asset	**11.2**	11.2
Hedging reserve	**0.5**	3.3
Proposed final dividend	**(117.0)**	(91.6)
Adjusted equity	**540.1**	479.9
Average adjusted equity	**510.0**	391.1
ROE	**46%**	47%

1 Stated prior to the amortisation of acquisition intangibles of £7.5m (2014: £2.5m) and exceptional costs of £11.8m (2014: £7.3m).

Strategic report

Financial review (continued)

Table 3: **Reconciliation of retail deposits**

£m	2015	2014
At 1 January	**580.3**	435.1
New funds	**225.7**	190.7
Maturities	**(121.6)**	(69.7)
Retentions	**58.5**	26.6
Cancellations	**(19.4)**	(8.9)
Capitalised interest	**7.5**	6.5
At 31 December	**731.0**	580.3

Table 4: **Committed borrowing facilities**

	Maturity	£m
Bank facility	2018	**382.5**
Bonds and private placements:		
Senior public bond	2019	250.0
M&G term loan	2016–2021	100.0
Other sterling/euro medium-term notes	2018	27.4
Retail bond 2010	2020	25.2
Retail bond 2011	2016	50.0
Retail bond 2012	2017	120.0
Retail bond 2013	2021	65.0
Retail bond 2015	2023	60.0
Total bonds and private placements		**697.6**
Vanquis Bank retail deposits	2016–2020	**731.0**
Total committed facilities		**1,811.1**
Borrowings on committed facilities		1,588.8
Headroom on committed facilities		**222.3**
Retail deposits capacity[1]		283.0
Funding capacity		**505.3**

1 Based on the Vanquis Bank intercompany loan from Provident Financial plc of £283.0m as at 31 December 2015.

"THE GROUP IS LESS EXPOSED THAN MAINSTREAM LENDERS TO LIQUIDITY RISK AS LOANS TO CUSTOMERS ARE OF A SHORT-TERM DURATION WHILST THE GROUP'S BORROWING FACILITIES EXTEND OVER A NUMBER OF YEARS."

Funding and liquidity

The group's funding strategy is to maintain a secure, prudent and well-diversified funding structure at all times. Central to delivery of this strategy is maintaining the gearing ratio at a maximum of 3.5 times, which provides a comfortable buffer compared with the relevant bank covenant of 5.0 times.

The group borrows to provide loans to customers. The seasonal pattern of lending results in peak funding requirements in December each year. The group is less exposed than mainstream lenders to liquidity risk as loans to customers are of a short-term duration whilst the group's borrowing facilities extend over a number of years. The profile of borrowing longer-term and lending shorter-term creates a positive maturity mismatch.

The group has three main sources of funding:

- Bank funding – committed syndicated bank facility;
- Bonds and private placements – senior public bonds, private placements with UK and European institutions and UK retail bonds; and
- Retail deposits taken by Vanquis Bank.

The group's funding and liquidity policy is designed to ensure that it is able to continue to fund the growth of the business. The group therefore maintains headroom on its committed borrowing facilities to fund growth and contractual maturities for at least the following 12 months, after taking account of the ability that Vanquis Bank has to fully fund itself through retail deposits. Vanquis Bank is unable to provide finance to other divisions or Provident Financial plc.

Group committed borrowings at the end of 2015 were £1,588.8m compared with £1,495.3m at the end of 2014. Borrowings have increased during the year primarily due to the strong growth in Vanquis Bank's UK receivables of £158m and Moneybarn receivables of £68m during the year, partly offset by the contraction in the CCD receivables book of £43m.

At the end of 2015, the group had committed borrowing facilities of £1,811.1m (2014: £1,606.8m). These facilities provided committed headroom of £222.3m as at 31 December 2015 (2014: £111.5m) with an average period to maturity of 2.8 years (2014: 3.1 years).

In January 2015, the group exercised its option to extend the £382.5m syndicated bank facility by 12 months to May 2018.

New funds were raised through a £60m retail bond issued on 9 April 2015 at a coupon of 5.125% and a maturity of 9 October 2023. The only maturity in the year was in respect of the £6.0m of residual subordinated loan notes which matured on 15 June 2015.

At the end of 2015, Vanquis Bank had taken £731.0m of retail deposits, up from £580.3m at 31 December 2014. A reconciliation of the movement in retail deposits during 2015 is set out in Table 3. The overall inflow of new funds through Vanquis Bank's retail deposits programme during 2015 of £225.7m (2014: £190.7m) was appropriately managed through pricing, reflecting the high level of headroom on the group's committed debt facilities.

There were £121.6m of retail deposit maturities during the year (2014: £69.7m), of which £58.5m were retained (2014: £26.6m). This represents a retention rate of approximately 48% (2014: 38%), in line with the positioning of the interest rates offered during the year.

Rates of between 1.51% and 4.65% (2014: 1.51% and 4.65%) have been paid on retail deposits during 2015 and the overall blended interest rate on the deposit portfolio in 2015 was 2.9% (2014: 3.2%). The average period to maturity of retail deposits at 31 December 2015 was 2.3 years (2014: 2.4 years).

The total balance held in fixed-term bonds in the UK is £145bn. The key determinant for depositors is the interest rate on offer. The market represents an excellent source of funding and Vanquis Bank plans to continue to build its deposit portfolio to enable it to repay its intra-group loan from Provident Financial plc, which was £283.0m at the end of 2015 (2014: £342.2m). The rate of growth will be dependent on ensuring that the group maintains an appropriate, but not excessive, level of headroom on its committed debt facilities in line with the group's treasury policies.

The funding structure of the group's committed facilities as at 31 December 2015 is shown in Table 4.

The funding structure takes into account the available capacity for Vanquis Bank to take retail deposits with the full repayment of the intra-group loan from Provident Financial plc. The group's funding capacity on this basis amounts to £505.3m (2014: £453.7m).

Financial review (continued)

Table 5: **Performance against bank covenants**

Covenant	Limit	2015	2014
Gearing[1]	< 5.0 times	**2.2**	2.4
Net worth – group[2]	> £265m	**657.1**	571.6
– excluding Vanquis Bank[2]	> £140m	**302.0**	287.0
Interest cover[3]	> 2.0 times	**4.8**	4.1
Cash cover[4]	> 1.1 times	**1.26**	1.31

1 Borrowings less the liquid assets buffer and other liquid resources held in satisfaction of the PRA liquidity requirements divided by equity (excluding the group's pension asset, net of deferred tax, and the fair value of derivative financial instruments).
2 Equity less the group's pension asset and fair value of derivative financial instruments, both net of deferred tax.
3 Profit before interest, amortisation, the movement in the fair value of derivative financial instruments, exceptional costs and tax divided by the interest charge prior to the movement in the fair value of derivative financial instruments.
4 Cash collected divided by credit issued.

"THE GROUP'S STRATEGY IS TO INVEST IN BUSINESSES WHICH GENERATE HIGH RETURNS TO SUPPORT THE GROUP'S HIGH DISTRIBUTION POLICY TO ITS SHAREHOLDERS."

Excluding the retail deposits programme, maturities on the group's committed debt facilities in 2016 represent: (i) the first instalment of £10m in January 2016 on the M&G term loan; and (ii) £50m in September 2016 in respect of the retail bonds issued in 2011. Maturities in 2017 are: (i) the second instalment of £10m in January 2017 on the M&G term loan; and (ii) £120m in October 2017 in respect of the retail bonds issued in 2012. After assuming that Vanquis Bank funds its receivables with deposits, the group's committed facilities are sufficient to fund both contractual maturities and projected growth until May 2018.

The group continues with its programme to consider opportunities to further diversify its funding base as well as extending the maturity profile of its debt. As such, the group will continue to review the retail bond and private placement markets during 2016.

The group's blended funding rate in 2015 was 5.9%, down from 6.5% in 2014. This primarily reflects the lower blended cost of retail deposits of 3.1% in 2015 compared with 3.4% in 2014 and an increase in the mix of retail deposit funding, which represents approximately 46% of the group's funding at the end of 2015 compared with approximately 39% in 2014.

The group is required to comply with its banking covenants in respect of gearing, interest cover, net worth, net worth excluding Vanquis Bank and cash cover. Performance against these bank covenants at 31 December 2015 and 2014 is set out in Table 5.

The group has comfortably complied with these covenants during 2015.

Gearing has reduced from 2.4 times in 2014 to 2.2 times in 2015, against an internal maximum target of 3.5 times and a covenant limit of 5.0 times. The reduction over the last 12 months reflects strong capital generation, particularly from Vanquis Bank.

The group's credit rating was reviewed by Fitch Ratings in 2015 and remains at BBB with the outlook being upgraded from negative to stable.

Table 6: **Capital generation**

£m	2015	2014
Operating cash flow	**202.0**	221.5
Interest paid	**(73.0)**	(72.3)
Tax paid	**(47.5)**	(44.9)
Net capital expenditure	**(25.6)**	(17.9)
Add back 80% of receivables growth funded by debt	**134.0**	89.1
Capital generated	**189.9**	175.5
Analysed as:		
– Vanquis Bank	**143.5**	70.2
– CCD	**65.1**	115.0
– Moneybarn	**0.2**	(1.3)
– Central	**(18.9)**	(8.4)
Dividends declared	**(173.6)**	(141.3)
Capital retained	**16.3**	34.2
Dividend cover[1]	**1.35**	1.35

1 Prior to the amortisation of acquisition intangibles and exceptional costs.

Capital generation and dividends

The group's strategy is to invest in businesses which generate high returns to support the group's high distribution policy to its shareholders. The group funds its receivables book through a combination of approximately 20% equity and 80% borrowings. Accordingly, the capital generated by the group is calculated as cash generated from operating activities, after assuming that 80% of the growth in customer receivables is funded with borrowings, less net capital expenditure. This is consistent with a maximum target gearing ratio of 3.5 times and maintaining an adequate level of regulatory capital. The group's dividend policy set at the time of the demerger of the international business in 2007 was to maintain a full-year dividend payment of 63.5p per share whilst moving to a target dividend cover of at least 1.25 times.

In the period from 2007 to 2010, the group absorbed capital in maintaining the group's dividend at 63.5p, whilst building the group's dividend cover to the minimum target of 1.25 times. In 2011, due to the growth in the group's earnings, dividend cover passed 1.25 times and the group generated more than sufficient capital to fund receivables growth and increase the group's dividend, whilst retaining surplus capital.

In the last three years, further growth in group earnings, together with continued strong capital generation, has enabled the group to increase its dividend broadly in line with earnings, deliver a dividend cover of around 1.35 times and retain net surplus capital in each year. Throughout this period the group's gearing ratio has been maintained below the maximum target of 3.5 times. In 2015, the group generated surplus capital of £16.3m (2014: £34.2m). Table 6 sets out an analysis by division.

On a divisional basis, Vanquis Bank generated £143.5m of capital during the year (2014: £70.2m), showing another strong year-on-year increase. This reflects the strong growth in UK profits, elimination of the Polish start-up losses and a £20m reduction in the rate of investment required to support receivables growth. The business is generating surplus capital over and above that required to fund its receivables growth and maintain sufficient regulatory capital. Accordingly, Vanquis Bank paid dividends to Provident Financial plc of £98m during 2015 and paid a further £69m subsequent to the year-end. Vanquis Bank has now cumulatively paid dividends of £250m out of its surplus capital since it commenced paying dividends in 2011.

CCD generated £65.1m of capital in 2015, down from £115.0m in 2014. This reflects: (i) a lower release of capital from the shrinkage in receivables (£24m), (ii) increased capital expenditure supporting the deployment of technology in home credit and the development of Satsuma and glo (£8m); (iii) the timing of tax payments (£7m); and (iv) increased exceptional costs. The business continues to be highly capital generative.

Moneybarn generated £0.2m of capital in 2015, supporting its own rapid growth. The business is set to become increasingly capital generative.

Strategic report

Financial review (continued)

> THE GROUP'S FINANCIAL MODEL IS UNDERPINNED BY THE APPLICATION OF PRUDENT, APPROPRIATE ACCOUNTING POLICIES CHOSEN BY THE DIRECTORS TO ENSURE THAT THE FINANCIAL STATEMENTS PRESENT A TRUE AND FAIR VIEW OF THE BUSINESS.

Prudential regulation

As a result of holding a banking licence, Vanquis Bank is regulated by the PRA which sets requirements for Vanquis Bank as a solo entity relating to capital adequacy, liquidity and large exposures. Vanquis Bank is also regulated by the FCA for conduct purposes.

CCD operated under a number of consumer credit licences granted by the Office of Fair Trading (OFT). With effect from 1 April 2014, CCD was regulated for conduct purposes by the FCA when it assumed control of consumer credit regulation from the OFT. In addition, the group, incorporating Vanquis Bank, CCD and Moneybarn, is the subject of consolidated supervision by the PRA by virtue of Provident Financial plc being the parent company of Vanquis Bank. The PRA sets requirements for the consolidated group in respect of capital adequacy, large exposures and, with effect from October 2015, liquidity.

Regulatory capital

The PRA requires financial institutions to maintain a sufficient level of regulatory capital to withstand a series of downside stress events. The PRA sets regulatory capital requirements specific to each institution, known as its Individual Capital Guidance (ICG). This is determined following consideration of the Internal Capital Adequacy Assessment Process (ICAAP) conducted by the firm.

The ICG comprises credit, operational, counterparty and market risk, calculated using predetermined formulae together with certain additional capital add-ons to cover any additional risks.

As stipulated by the Capital Requirements Directive IV (CRD IV), regulatory capital equates to equity share capital and reserves after deducting foreseeable dividends in line with the current dividend policy and after adding back subordinated loan notes less: (i) the net book value of goodwill and intangible assets; and (ii) the pension asset, net of deferred tax, and the fair value of derivative financial instruments. As at 31 December 2015, the group's common equity tier one ratio and leverage ratio were 22.0% (2014: 20.5%) and 16.9% (2014: 15.9%) respectively. The level of regulatory capital held by both the group and Vanquis Bank is comfortably in excess of the ICG set by the PRA.

CRD IV will require the group and Vanquis Bank to maintain a capital conservation buffer and a countercyclical buffer. From 1 January 2016, the capital conservation buffer will be calculated as 0.625% of risk-weighted exposures to the extent that it exceeds the capital planning buffer set by the PRA. The buffer increases to 1.25% in 2017, 1.875% in 2018 and 2.5% in 2019. The countercyclical buffer is subject to the same transitional rules as the capital conservation buffer and has been initially set at 0% by the Bank of England.

Liquidity

To ensure that sufficient liquid resources are available to fulfil operational plans and meet financial obligations as they fall due, the PRA requires that all regulated entities maintain a liquid assets buffer held in the form of high-quality, unencumbered assets.

The liquid assets buffer is calculated using Individual Liquidity Guidance (ILG) set by the PRA based on the Internal Liquidity Adequacy Assessment Process (ILAAP) undertaken by Vanquis Bank. In addition, further liquid resources must be maintained based upon daily stress tests linked to the three key liquidity risks of Vanquis Bank, namely retail deposit maturities, undrawn credit card lines and operating cash flows. This results in a dynamic liquid resources requirement.

As at 31 December 2015, the liquid assets buffer, including the liquid resources held against the daily stress tests, amounted to £134.2m (2014: £121.4m). The increase during the year reflects the growth in the receivables book of Vanquis Bank. Vanquis Bank holds its liquid assets buffer, including other liquid resources, in a combination of a Bank of England Reserves Account and UK government gilts.

CRD IV introduced further liquidity measures, the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The LCR, which became effective in October 2015, and NSFR, which will become effective in January 2018, are applicable to both the group and Vanquis Bank. These are not expected to significantly affect the group's liquidity position.

Pillar III disclosures

As part of the regulatory supervision by the PRA, the group, consistent with other regulated financial institutions, is required to make annual Pillar III disclosures which set out information on the group's regulatory capital, risk exposures and risk management processes. A considerable amount of the information required by the Pillar III disclosures is included within the 2015 Annual Report and Financial Statements. The group's full Pillar III disclosures can be found on the group's website, www.providentfinancial.com.

Tax

The tax charge for 2015 represents an effective rate of 20.25% (2014: 21.50%) on profit before tax, the amortisation of acquired intangible assets and exceptional costs, and is in line with the UK corporation tax rate which reduced from 21% to 20% on 1 April 2015.

The group is expected to benefit in future years from the further rate reduction to 19% on 1 April 2017 and to 18% on 1 April 2020 announced by the Government and enacted in the 2015 Finance Act.

The 2015 Finance Act (No 2) also incorporated a bank corporation tax surcharge which imposes an additional corporation tax of 8% on banking companies. The surcharge came into force on 1 January 2016 and applies to profits in excess of £25m attributable to Vanquis Bank only.

Accounting policies

The group's financial statements have been prepared in accordance with IFRS as adopted by the European Union. The group's financial model is underpinned by the application of prudent, appropriate accounting policies chosen by the directors to ensure that the financial statements present a true and fair view of the business. All of the group's accounting policies are compliant with the requirements of IFRS, interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and UK company law. The continued appropriateness of the accounting policies, and the methods of applying those policies in practice, is reviewed at least annually. The principal accounting policies, which are consistent with the prior year, are set out on pages 139 to 144.

The group's prudent accounting policies are reflected in the impairment policies adopted across the group.

In Vanquis Bank, Moneybarn and CCD's glo business, impairment provisions based on expected future cash flows discounted at the effective interest rate (EIR) are made once a contractual monthly payment is missed. The level of provision progressively builds through each arrears stage with a full provision, subject to recoveries, being made against accounts which are 90 days in arrears. For customers entering special payment arrangements, impairment provisions based on historic payment performance discounted at the EIR are immediately reflected. This accounting policy is realistic and prudent when benchmarked against other monthly direct repayment businesses.

In the weekly home credit and Satsuma businesses of CCD, a loan is impaired when more than one weekly payment has been missed in the previous 12 weeks and the provision is progressively increased to over 95% once no payment has been received in the last 12 weeks. This reflects timely, realistic provisioning which reinforces the right behaviour amongst agents and employees.

In order to assist shareholders and other users of the group's financial statements, supplementary commentary has been provided within the group's financial statements in highlighted boxes. The additional commentary addresses questions regularly asked by investors, analysts and other stakeholders, as well as providing further information on the group's key accounting policies, financial model and important movements in income statement and balance sheet items during the year.

Going concern

In adopting the going concern assumption in preparing the financial statements, the directors have considered the activities of its principal subsidiaries, as set out in the strategic report, as well as the group's principal risks and uncertainties as set out in the governance report. The board has considered the group's latest financial projections from the most recent budget, including:

- Funding levels and headroom against committed borrowing facilities;
- Cash flow and liquidity requirements;
- Funding capacity from Vanquis Bank's retail deposit programme;
- Regulatory capital projections against the PRA's regulatory capital requirements; and
- Forecast compliance against banking covenants.

Based on these forecasts and projections, the board is satisfied that the group has adequate resources to continue to operate for the foreseeable future. For this reason, the group continues to adopt the going concern basis in preparing the financial statements.

Strategic report

Corporate responsibility

Responsibilities and relationships

We have a social purpose and corporate responsibility (CR) strategy in place which make clear what our CR priorities are. This means continuing to serve our customers in a responsible manner at every stage of their relationship with us, and acting responsibly and with integrity with all our other stakeholders. By doing this, we can deliver our mission to be the leading non-standard lender in our chosen markets, acting responsibly in all our relationships and playing a positive role in the communities we serve.

Peter Crook
Chief Executive

The strategic importance of CR

We have served the non-standard credit market since 1880; putting the needs of our customers at the centre of all we do. CR has been, and continues to be, an important part of how the Provident Financial Group operates.

This commitment to our customers' needs is demonstrated by the relationship we have with them and in the products and services we develop and deliver. It is also enshrined in our social purpose and CR strategy which underline the importance of lending responsibly to our 2.4 million customers and managing the other social, environmental and economic issues that are material to our business. This encompasses how we manage our relationships with our other key stakeholders – including how we treat our employees, agents and suppliers, as well as supporting and investing in the communities we serve – and ensuring that we take our responsibility to minimise our impact on the environment seriously.

Our material CR issues

To help ensure that we manage and report on the CR issues that matter most to our business and stakeholders, we undertook an exercise during 2015 to identify and prioritise our material CR issues. This was performed to inform our social purpose and CR strategy, and to ensure that future CR reports comply with the Global Reporting Initiative's G4 reporting guidelines.

We engaged Corporate Citizenship, an independent sustainability management consultancy, to reassess the materiality of our CR issues. This involved desk-based research to identify and prioritise current and future CR issues, roundtable discussions with external stakeholders and stakeholder interviews, to assess the importance of each issue. Finally, we engaged with internal stakeholders to identify the CR issues most important from their point of view. The issues that were identified as a result of the materiality assessment exercise have been plotted on the materiality matrix set out opposite.

Our mission is...

...to be the leading non-standard lender in our chosen markets, acting responsibly in all our relationships and playing a positive role in the communities we serve.

This commits us to...

...being a responsible corporate citizen.

Our social purpose is...

...financial inclusion for those who are not well served by mainstream credit products or are excluded altogether.

This commits us to...

...providing non-standard credit customers with appropriate amounts of credit, maintaining close contact with them throughout the term of their loan, and working with them sympathetically if they experience difficulties. The terms and conditions are also designed to meet their particular needs, and rigorous checks are made to ensure customers can afford their repayments. We have been doing this since 1880.

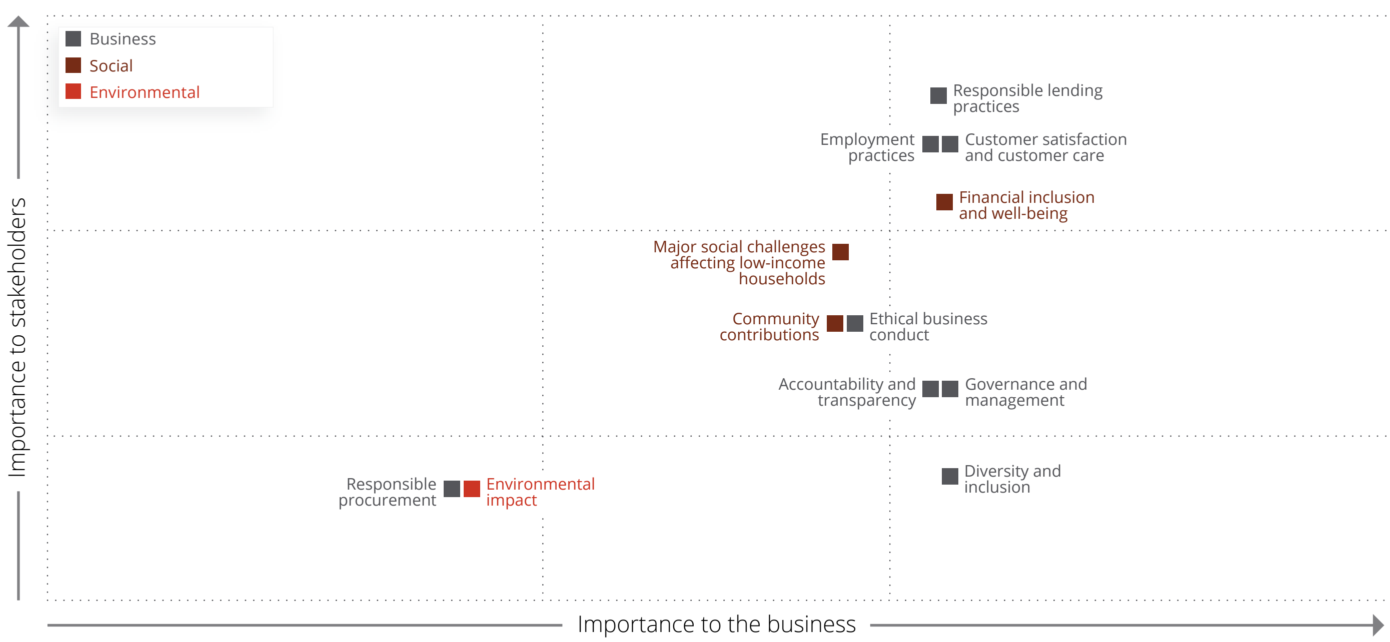
Our CR strategy involves...

...operating our core business of lending to our customers in a responsible manner, and acting responsibly and sustainably in all our other stakeholder relationships.

This commits us to...

...putting the needs of our customers at the heart of everything we do; creating a working environment that is safe, inclusive and meritocratic; treating our suppliers fairly; supporting our communities; engaging with the investment community on sustainability matters; and minimising the environmental impacts of our business.

Materiality matrix



Strategic report

CR management and our core business

Measuring and reporting CR performance

The CR strategy which we launched last year is supported by a scorecard which includes a range of qualitative and quantitative metrics to help monitor our progress in delivering against our strategy.

Provident Financial's CR strategy scorecard

CR strategy commitment	Key metrics
Operate our core business of lending to our customers in a responsible and sustainable manner, putting customers' needs at the heart of everything we do	
Be transparent in how we do business	> Information on products (eg APRs), the role played by agents, tax and governance.
Treat our customers responsibly throughout their journey with us	> The percentage of customers surveyed who are satisfied with the service with which they have been provided.* > Total number and nature of complaints. > Total number and nature of complaints referred to the Financial Ombudsman Service and the proportion which are upheld in favour of customers. > Impairment as a percentage of revenue. > Total number of accounts handled by debt collection agencies per annum. > Total customer-focused training hours undertaken by employees and agents.
Act responsibly in all our other stakeholder relationships	
Create a working environment that is safe, inclusive and meritocratic	> Workplace diversity. > The percentage of women in senior management roles. > Average number of days lost to absence per employee per annum. > Number of calls made to the group-wide whistle-blowing hotline per annum.
Treat our suppliers fairly	> Percentage of suppliers paid in accordance with their terms and conditions.
Support our communities	> The amount of money invested in support of community programmes, money advice and social research.* > The number of people who directly benefit from Provident Financial's community involvement activities. > The number of people supported to develop new skills or improve their personal effectiveness as a result of Provident Financial's community involvement activities. > The number of people who experience a positive impact on their quality of life or well-being through Provident Financial's community involvement activities. > Total number of hours volunteered by employees in community involvement activities.
Engage with the investment community on sustainability matters	> Dow Jones Sustainability Indices/FTSE4Good scores, presence within Euronext Vigeo and Forum ETHIBEL indices, and information on investor engagement activities.
Minimise the environmental impacts of our business	> Total greenhouse gas emissions (reduce Scope 1 and 2 emissions and increase the reporting of Scope 3 emissions). > Total energy use (MWh). > Total waste arising from our activities (tonnes).

* Two of the metrics from this scorecard – customer satisfaction and charitable contributions – are reported in the strategy and performance section of this report see pages 14 to 17.

We also publish a stand-alone, annual CR report which sets out a full account of our performance against all the metrics within this scorecard.

Our 2015 CR report will be published during the summer of 2016. Information on our CR reports can be found at www.providentfinancial.com

How CR is governed and managed

Overall responsibility for our CR programme rests with Peter Crook, the Chief Executive. CR matters are regularly considered by the board and a corporate affairs activity report is presented at each board meeting. The group's executive committee, which includes the executive directors and senior management, and is chaired by Peter Crook, reviews and approves the CR programme and budget.

Ongoing management of the CR programme is undertaken by Provident Financial's CR Manager and Community Affairs Manager, who are supported by a number of working groups made up of representatives from our subsidiary businesses.

Our core business: Lending responsibly and sustainably

Our social purpose places great importance on putting the needs of our customers at the centre of everything we do. Our primary focus is to serve the needs of the non-standard credit market – something we have 135 years' experience of doing. We do this by delivering credit products that meet the particular needs of our customers and by treating them responsibly throughout their journey with us – from the point at which we market our products to customers, through the entire term of their loan, including if they experience any difficulties along the way, and even when our credit agreement with them is over.

Our products and the customers who use them

The Provident Financial Group has been serving the non-standard credit market since 1880 and, in this time, we have gained a good understanding of what our customers are looking for in credit products. This includes:

> Smaller sums – typically less than a mainstream provider would lend.

> High levels of contact with their lender – our customers like someone to talk to about their loan.

> Understanding – our customers usually have little leeway in their income, so, if they experience problems during the term of their loan, they want to talk to someone who understands their situation and can offer a solution. With some of our products this can even mean the ability to reschedule repayments at no extra cost to the customer whatsoever.

Our products are tailor-made to meet our customers' needs – a sensible amount of credit provided in a transparent, responsible, sustainable way. All of the businesses within the group specialise in offering simple and suitable products which are delivered in a way which suits our customers' particular needs.

Our 'low and grow' approach to lending is a key characteristic of our products; it enables us to extend small amounts of credit to customers in a responsible and prudent manner. Under this approach, new customers to Vanquis Bank, Provident and Satsuma receive lower credit limits, or smaller, shorter-term loans to begin with. This enables us to observe and understand the behaviour of our customers before we consider granting further amounts and also enables the customers to experience our products and see if they suit their needs. We also offer non-standard car finance loans through Moneybarn. Moneybarn is the UK's largest provider in the non-standard, dealer-purchased, used-car finance market.

Treating our customers responsibly every step of the way

Treating our customers responsibly is built into everything we do – from the way we market and sell our products and how we make our lending decisions, to how often we contact customers and the process we have for complaints. We have developed our products to meet our customers' needs; creating simple, transparent products with high levels of forbearance and flexibility.

Developing our digital channels

We have continued to develop digital channels for customers to initially apply for their chosen product and service their needs throughout their relationship with us both online and through apps on their smartphones. In addition, the agents in the Provident business now use smartphones and apps to maintain their customers accounts.

In 2015:

> 4m Vanquis Bank customers self-served over the phone.

> 100% of Provident home credit agents use smartphones to maintain their customer rounds.

Dealing with customer complaints

We aim to provide our customers with an excellent service. This is evidenced through our high levels of customer satisfaction, Feefo and Trust Pilot reviews, and the low levels of customer complaints across all our businesses.

Customer complaints per 1,000 customers per month:
Vanquis Bank – 1.05
Provident home credit – 1.00

Feefo percentage of customers who rated the service they receive as good or excellent and Trust Pilot review scores:
Provident home credit – 98%
Satsuma – 98%
Vanquis Bank Trust Pilot review – 9/10

Our core business

Vanquis Bank

In line with our 'low and grow' approach to lending, Vanquis credit limits start as low as £250 and we only extend a limit if it is appropriate to do so. Our bespoke underwriting process has been developed over the last 13 years and our prudent approach to risk is reflected in the fact we only approve around 25% of applications. Our lending decision is based on both external credit reference data and our own scorecards, which have been developed through our extensive experience.

Once we have approved an application, we understand that we need to get to know our customers so that we can put them at the heart of our business. So, all new customers receive a welcome call from one of our two UK call centres and we continue to have high levels of customer contact throughout the relationship. Every customer also receives a welcome pack which outlines their rights and responsibilities and offers tips on managing their finances and improving their credit rating. Customers tell us they understand their statements and we send SMS text messages to remind them when their payment is due. We also follow-up any missed payments by contacting them immediately by telephone. The Vanquis Bank UK contact centre staff respond quickly to calls from customers and answer queries efficiently; 81% of calls to us are answered within 90 seconds.

88%
Vanquis Bank customer satisfaction

Read more on Vanquis Bank on pages 26 to 31

Provident

Our Provident home credit business is built around the relationship between the customer and our self-employed agent. The agent makes the final lending decision – using central underwriting but also basing their final decision as to whether to lend on their personal assessment of the customer's ability and willingness to make their contracted repayments. This relationship means the customer knows they will get a sympathetic response should they get into difficulty. This may take the form of making a reduced payment, or even missing a weekly payment altogether, at no extra cost to them whatsoever.

Our commission structure means that agents are paid commission primarily on what they collect, not what they lend, so they have no reason to lend more than their customers can afford to repay. Also, our 'low and grow' approach means first-time borrowers typically receive smaller, shorter-term loans to give agents the opportunity to observe and understand the customer's behaviour.

Our UK contact centre staff are available to deal with Provident home credit customer queries. 70% of calls from customers are answered within 20 seconds.

93%
Provident customer satisfaction

Read more on Provident on pages 34 to 37

Satsuma

Satsuma is building on the knowledge of issuing Provident home credit loans and Vanquis Bank credit cards. We base lending decisions on external bureau data and our own scorecard, which enables us to include behavioural and social data in our credit decisions. Satsuma also reflects the 'low and grow' approach of both Vanquis Bank and Provident home credit and maintains high levels of customer contact.

Satsuma collections processes are handled by Vanquis Bank's Chatham contact centre collections team. This team works closely with Satsuma customers, including contacting customers by phone and text message and working with them to ensure the best possible outcome for them if they get into difficulty.

Read more on Satsuma on pages 40 to 43

glo

The longer, larger loans that we offer to customers through our glo business are underpinned by a guarantor – typically a family member or friend of the customer with a good credit history – who agrees to guarantee the customer's loan and pay for that loan if the customer's circumstances change and they cannot afford to make their repayments.

Both the customer and guarantor are subject to rigorous affordability checks, and both are required to co-sign the loan agreement. As with the group's other products, ensuring that glo delivers a customer-centric approach to forbearance should the customer get into financial difficulty is an important part of the way that the business operates. Other responsible lending characteristics of the loans offered by glo include no set-up fees or early repayment fees and making repayments through direct debit arrangements.

Read more on glo on pages 44 to 46

Moneybarn

The primary source of our new customer leads is through a network of well-established brokers. These brokers value our service levels, technology and the excellent relationships that we forge with them. This is reinforced by approximately 60 staff, based within brokers, dedicated to Moneybarn. Brokers earn commission for each lead that they provide which results in a loan being issued. Customers using a broker can source their vehicle from any car dealership.

Underwriting at Moneybarn is highly automated to allow for rapid provisional approvals. Decisions are based on external credit data, our own scorecards, and affordability assessments.

Moneybarn typically requires customers to pay a deposit. The car is formally owned by Moneybarn until the final instalment is paid.

Moneybarn also maintains close contact with its customers over the telephone and responds to their calls within 70 seconds on average.

89%
Moneybarn customer satisfaction

Read more on Moneybarn on pages 52 to 56

Our working environment

The 3,758 people we employ across the group are key to our ongoing success. They help us to meet the needs of our 2.4 million customers, and are invaluable drivers of new services and products. As such, our people are an important stakeholder.

Our continued success relies on having a talented workforce. To recruit and retain the best, it is essential we provide our staff with a safe and inclusive working environment that encourages everyone to reach their potential, and develops them to meet their personal career goals.

We are committed to creating open and inclusive workplace cultures in which everyone feels valued and respected. Not only does our diverse workforce enable us to deliver existing services, it also helps inform the development of new or enhanced products and services, open up new market opportunities, improve market share, and broaden our customer base. To help ensure that there is continual improvement in this area, we took the decision in 2015 to work towards the National Equality Standard (NES). The NES has been launched with the support of the Equality and Human Rights Commission and the Confederation of British Industry. It is the first industry-recognised national standard for equality, diversity and inclusion in the UK and has been developed by Ernst & Young in partnership with 18 large UK employers. It aims to become the accepted equality standard for business across the UK.

The NES assessment process includes a review of policies and practices, identifies areas for improvement and provides implementation recommendations.

We continue to monitor and report the gender split of the group's workforce.

	Female	Male
Proportion of female/male company directors (%)	29	71
Proportion of female/male senior managers, including executive directors, directors of subsidiary businesses and heads of function (%)	30	70
Proportion of female/male employees (%)	48	52

NES NATIONAL EQUALITY STANDARD
Provident Financial
has signed up

> TAKING PART IN THE NATIONAL EQUALITY STANDARD WILL ENABLE THE GROUP TO UNDERTAKE A COMPREHENSIVE ASSESSMENT FOCUSED ON A RANGE OF EQUALITY, DIVERSITY AND INCLUSION ISSUES. THIS WILL IMPROVE GROUP PERFORMANCE IN THESE AREAS, ENSURE OUR BUSINESSES COMPLY WITH ALL THE ELEMENTS OF THE EQUALITY ACT 2010 AND DEMONSTRATE LEADERSHIP IN THIS FIELD WHICH WILL STRENGTHEN THE GROUP'S REPUTATION AS AN EMPLOYER OF CHOICE AND GOOD CORPORATE CITIZEN.

Peter Crook
Chief Executive

Treating our suppliers fairly

However simple our supply chain may be, we recognise that an important part of our CR involves treating these suppliers fairly, and using our purchasing power to procure sustainable products and services.

In 2015, our annual spend on products and services was £194.0 million (2014: £143.9 million). This level of buying power gives us the potential to encourage and support our suppliers to become more sustainable. The majority of the suppliers we use are based in the UK and Ireland.

We are committed to making prompt payments to our suppliers as we recognise that late payment can cause serious cash flow problems, especially for small businesses. As such, we endeavour to pay our suppliers in accordance with the payment terms we have agreed with them. Rather than standard payment terms, our businesses have individually-negotiated payment terms with each supplier which are typical of those in the wider market.

In 2015, the group became a signatory of the Prompt Payment Code. This code sets standards for payment practices and best practice, and is administered by the Chartered Institute of Credit Management. Compliance with the principles of the code is monitored and enforced by the Prompt Payment Code Compliance Board. The code covers prompt payment, as well as wider payment procedures. An update on the performance of the Provident Financial group of businesses against the requirements of the code will be included in the 2015 corporate responsibility report.

Strategic report

Investing in our communities

Supporting our communities

We recognise that we have a significant responsibility to the communities we serve. Our financial products and services meet the specific needs of those who are not well served, or are excluded altogether, by mainstream credit providers, thereby providing a direct social benefit. However, in our commitment to responsible corporate citizenship, we also invest in programmes that support the needs of non-standard credit customers and those living in the local communities we serve. As a result, we invest a minimum of 1% of profit before tax (as measured under the London Benchmarking Group's guidelines) in a range of programmes which align with this principle.

The projects we support have a broad geographical spread throughout the UK and Ireland in addition to a local education project in Kenya. The programmes invest in local community projects by providing cash support and creating opportunities for our staff to get involved. Our cash support can be a one-off investment in a project or a longer-term investment for three years or more. The projects we support on a longer-term basis are set out on page 83.

United Estates of Wythenshawe (a Good Neighbour partner)

The United Estates of Wythenshawe was established in 1996 by a group of Wythenshawe families and local community leaders who were concerned by increasing instances of anti-social behaviour and the growing destructive influence of youth street-gang culture, coupled with the desire to prevent a local landmark building closing its doors for good. The project worked first with hard-to-reach young people 'not in education, employment or training' (NEETS) and is now open to the whole community. Still under the management of local people, the organisation is able to provide activities suitable for the very young through to the elderly, based on their needs. Their approach has meant they have been able to create a route away from anti-social behaviour, leading to social responsibility for young people and beneficial results for the whole community.

Our three-year funding pays for the post of the centre manager, as well as the building of a new outdoor gym. In addition, a group of families were able to benefit from a trip to Stirling, which we organised through our funding partnership with the Scottish Youth Hostel Association. The visit gave the families an opportunity to bond; for most of the children, this was their first holiday and for many, their first family outing.

PFG good neighbour Community Programme

Supporting employee giving

We know that our employees want to support the communities which we serve as a business. Therefore, in addition to direct funding for community organisations, we encourage employee giving in a number of ways, including matched funding, matched volunteering hours, and company-led team volunteering challenges. As a result, staff feel motivated and have access to personal development opportunities.

£3.1m

invested in community programmes, money advice and social research in 2015

> SUPPORT FROM VANQUIS BANK GAVE US THE OPPORTUNITY TO DIVERSIFY, INCREASE OUR ATTRACTIVENESS TO OTHER FUNDERS, AND INTRODUCE MORE PROGRAMMES TO PROVIDE DIRECT SUPPORT FOR YOUNG PEOPLE ACROSS KENT AND MEDWAY.

Carol Bentall
Chief Executive, Young Kent

Strategic report

Investing in our communities (continued)

The Money Charity

A long-term partner of the Vanquis Bank Active Community Programme, the Money Charity delivers financial education through interactive workshops in schools across the UK. Each workshop empowers children to build the skills, knowledge, attitudes and behaviours to make the most of their money.

Through their volunteer programme, the Money Charity trains and matches employees from Vanquis Bank's contact centre in Chatham with local schools to deliver 'The Volunteer Money Workshop'. Aimed at 11 to 16 year-old secondary school pupils in a local area, the workshop covers key financial topics in line with the National Curriculum, including budgeting and the importance of savings, and understanding credit.

The programme is a good professional development package for employees as it provides them with the opportunity to develop leadership, mentoring and communication skills. In 2015, Vanquis Bank employees delivered 25 workshops in schools across Kent, engaging with over 600 students.

In 2016, Vanquis Bank will work with the Money Charity to develop its relationships further and extend the volunteer programme to cover its other office sites in Bradford and London.

Community impact in 2015

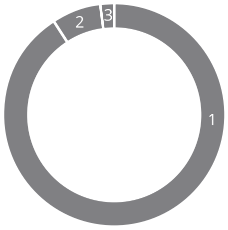
42,938
people benefited from the support provided by the projects we fund

21,780
people accessed new services and activities

18,872
people developed new skills as a result of their involvement in the programmes

2015 community investment figures

1 Cash	**£2,829,013** (2014: £2,103,946)
2 Management costs	**£229,147** (2014: £257,405)
3 Value of employee time	**£40,399** (2014: £53,544)
Total	**£3,098,559** (2014: £2,414,895)



Our approach to community involvement

Through Good Neighbour and the Vanquis Bank Active Community Programme, we had committed long-term support (three years or more) to 50 projects across the UK and Ireland as at the end of 2015.

Supporting the money advice sector

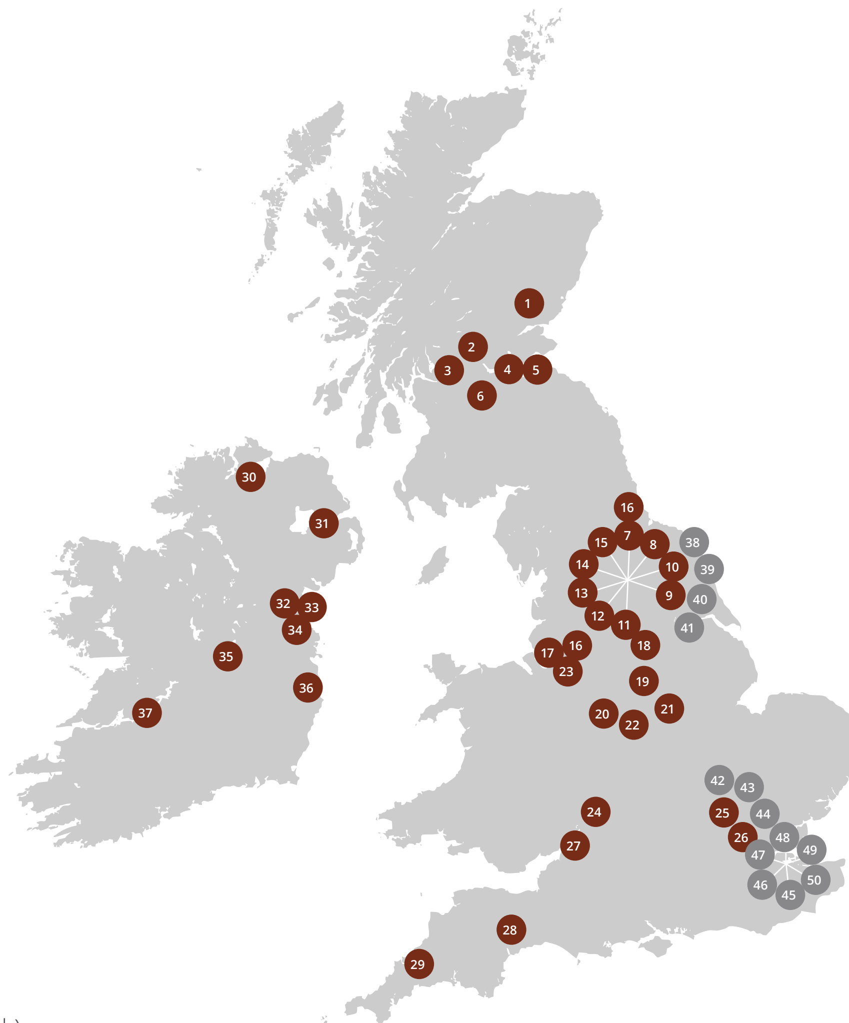
As part of our commitment to help non-standard credit customers, we work with a wide range of free and voluntary money advice organisations. Our financial support enables them to help those who have problems repaying their debts to us and others, and to increase the quality and availability of free, independent money advice in the UK. We support a range of money advice providers, including: Advice UK, Citizens Advice, Step Change Debt Charity, Institute of Money Advisers, Money Advice Liaison Group, Money Advice Scotland, Money Advice Trust, and National Debtline.

We also work with specialised money advice providers on a range of further financial education initiatives and help finance publicly-available, independent research to help understand the financial behaviour of those on modest incomes.

Local community projects and organisations with long-term funding

Good Neighbour projects (CCD)

1 Boomerang, Dundee
2 Scottish Youth Hostel Association, Stirling
3 Oasis at Wallacewell, Glasgow
4 The Royal Lyceum, Edinburgh
5 Venchie Children and Young People's Project, Edinburgh
6 Made4U in ML2, Wishaw
7 Scholemoor Beacon, Bradford
8 Joshua Project, Bradford
9 Sedbergh Youth and Community Centre, Bradford
10 The Edge, Bradford
11 Participate Projects, Bradford
12 One in a Million, Bradford
13 Immanuel Project, Bradford
14 Bradford City Women's Football Club, Bradford
15 Bradford City Football Club Community Stand, Bradford
16 Sycamore Project (Zac's Bar), Bolton
17 Northfield Sports Association, Bootle
18 Yorkshire Dance, Rotherham
19 Harvey Girls, Burton on Trent
20 Sycamore Adventure, Dudley
21 Mowmacre Young People's Play and Development Association, Leicester
22 Project for the Regeneration of Druids Heath, Birmingham
23 United Estates of Wythenshawe, Manchester
24 The Door, Stroud
25 Youth Network MK CIC, Milton Keynes
26 Ahoy Centre, Deptford
27 Baggator, Bristol
28 St Petrock's, Exeter
29 Young People Cornwall, Truro
30 REACH Across, Londonderry
31 Hostelling International Northern Ireland, Belfast
32 Early Focus Project, Dublin
33 Solas Project, Dublin
34 Ballymun Schools Programme, Dublin
35 Laois Partnership, Portlaoise
36 An Oige, County Wicklow
37 OLL St Saviours Boxing Club, Limerick



Active Community projects (Vanquis Bank)

38 Bradford Youth Development Partnership, Bradford
39 The Outward Bound Trust, Bradford
40 Leeds Community Foundation, Leeds
41 Keighley Cougars Foundation, Keighley and Bradford
42 London Community Foundation, London
43 Foundation for Social Inclusion, London
44 The Blue Elephant Theatre, Southwark
45 Medway Education and Business, Kent
46 Sure Start All Saints, Chatham
47 Sure Start Lordswood, Chatham
48 Phoenix Junior Academy, Chatham
49 Byron Primary School, Gillingham
50 Kent Community Foundation, Kent

In addition, Vanquis Bank also funds the UK-based charities Friends of the Elderly and Mencap, as well as Hatua, a local education project in Kenya.

Strategic report

Investing in our communities (continued)

Young Kent (a Vanquis Bank Active Community Programme partner)

Young Kent offers support programmes for disadvantaged, disengaged or disabled young people aged 8 to 25 from across Kent.

One aspect of Vanquis Bank's work with the charity supports the 'How to Save a Life' programme. This programme provides approximately 40 unemployed young people from disadvantaged backgrounds first aid and emergency lifesaving skills through a partnership with the British Red Cross. The programme increases confidence, skills and qualifications whilst also providing valuable work experience. A key element of the programme is that participants are trained to become first aid Peer Educators. Once qualified, Peer Educators practise their new skills during work experience, delivering first aid training to other young people across Kent.

Vanquis Bank also supports Young Kent's Job Club, which provides support for unemployed young people from across the county. Job Club sessions provide one-to-one support with subjects such as CV writing, interview skills, job searching and completing job applications. The support of Vanquis Bank has also allowed Young Kent to purchase the IT equipment necessary to run the club.

"BRADFORD IS GOING FROM STRENGTH TO STRENGTH AND THE BRADFORD LITERATURE FESTIVAL IS A FANTASTIC WAY TO AMPLIFY THE BRINGING TOGETHER OF THE DIVERSE CULTURES AND COMMUNITIES WITHIN OUR CITY."

Peter Crook
Chief Executive

Our commitment to Bradford

As a company whose historical links to Bradford stretch back more than 135 years, Provident Financial is committed to supporting initiatives and events that complement the city's ongoing economic regeneration. To this end, in 2015 we announced that we would be the principal sponsor of the Bradford Literature Festival for the next two years. The first full Bradford Literature Festival was held in May 2015 and attracted nearly 9,500 people to over 150 events over 10 days. Through our support of the festival for the next two years, we will be helping to spearhead Bradford's cultural renaissance and raise the aspirations and literacy levels of the city's many communities.

Engaging the investment community

A significant part of our approach to CR is that we share information on our CR performance to provide evidence to our investors and other stakeholders that we are committed to operating in a responsible manner.

Every year, we provide information on environmental, social and governance performance and make submissions to a number of the mainstream sustainability indices and established SRI research and rating agencies. The information we submit is independently assessed and considered alongside information from external sources, such as non-governmental organisations, scientific institutions and the media. For example, in 2015:

> Following the June 2015 review by the FTSE4Good Advisory Committee, Provident Financial continued to be included as a constituent of the FTSE4Good Index series.

> We continued to be included within the Euronext Vigeo World 120 index (the 120 most advanced sustainability performing companies in the European, North American and Asia Pacific regions), the Euronext Vigeo Europe 120 index (the 120 most advanced sustainability performing European companies) and the Euronext Vigeo United Kingdom 20 index (the 20 most advanced UK companies based on their sustainability performance).

> Following the annual review of the Dow Jones Sustainability Indices, Provident Financial retained its place in the two indices in which it is eligible to be included: the Dow Jones Sustainability World Index (DJSI World) and Dow Jones Sustainability Europe Index (DJSI Europe). This is the ninth successive year that Provident Financial has been included in these two indices.

> We were reconfirmed as a constituent of the Ethibel Sustainability Index (ESI) Excellence Forum which is one of the investment registers managed and overseen by the Belgian socially responsible investment (SRI) specialist Forum ETHIBEL. The ESI Excellence Forum is composed of companies that are considered by Forum ETHIBEL to display the best performance in the field of CR.

Minimising our impact on the environment

While we may not impact the environment to the same extent as businesses in other sectors, the day-to-day operations of our businesses do have environmental impacts which we need to manage. We are legally required to manage and report on some of our environmental impacts, particularly in relation to climate change.

The environmental management system (EMS) we have in place across our business enables us to systematically manage our impacts on the environment by:

> Identifying and understanding the environmental impacts of our activities;

> Defining environmental responsibilities for staff;

> Measuring and monitoring our environmental management performance and setting targets; and

> Identifying opportunities to continually improve.

Our EMS is audited on an annual basis against the requirements of the international environmental management standard ISO 14001. Our head office in Bradford continues to be formally certified to ISO 14001. In 2016, we will set a target to get the EMS in our Vanquis Bank locations in London and Chatham formally certified to ISO 14001.

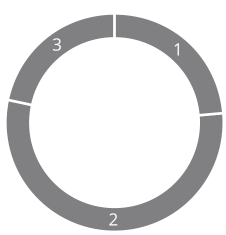
Measuring and reporting greenhouse gas (GHG) emissions

We have measured and reported our GHG emissions for many years. This helps us to identify opportunities to improve the energy efficiency of our businesses and minimise our contribution to climate change. We are also finding that investors are increasingly keen to understand the carbon intensity of our business activities. By measuring and reporting our emissions, we can do our part in helping the investment community to become more aware of the climate change risks inherent in their portfolios and achieve better and more sustainable shareholder returns.

We are also legally required to disclose the annual amount of GHG emissions generated by our activities. This includes activities for which we are directly responsible (scope 1 emissions); for us, this relates to our fleet of company cars and the gas used at our offices. We are also required to disclose indirect GHG emissions (scope 2 emissions) from the electricity we purchase. During 2015, our scope 1 and 2 emissions and associated scope 3 emissions accounted for 5,881 tonnes of CO_2e. We have also voluntarily reported some of our scope 3 emissions; in particular, indirect 'well-to-tank' emissions from the extraction, refining, distribution, storage, transport and retail of the fuel we use.

GHG emissions in 2015 (tonnes of CO_2e)*

1 Direct CO_2 (scope 1) CO_2e emissions	**1,405** (2014: 1,797)
2 Indirect CO_2 (scope 2) CO_2e emissions	**3,207** (2014: 3,066)
3 Associated indirect CO_2 (scope 3) CO_2e emissions	**1,269** (2014: 1,131)
Total	**5,881** (2014: 5,994)



* Our emissions are reported in accordance with the WRI/WBCSD Greenhouse Gas ('GHG') Protocol. We use an operational control consolidation approach to account for our GHG emissions and use emission conversion factors from Defra/DECC's GHG Conversion Factors for Company Reporting 2013. Our GHG emissions are calculated using energy use data accessed via meters and energy suppliers, and from records of fuel use.

5,881

(2014: 5,994) Total scope 1 and 2 (and associated scope 3) emissions in tonnes of CO_2e

2.92

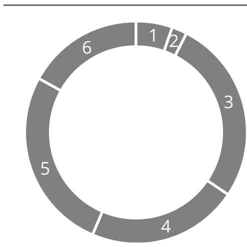
(2014: 3.24) Scope 1 and 2 (and associated scope 3) intensity ratio (kg of CO_2e/£1,000 of receivables)

We have also extended our reporting of the GHG emissions relevant to our business travel activities. This now includes reporting the GHG emissions that relate to business travel by the self-employed agents in our home credit business, the business-related travel activities of our employees, and the waste that is collected and managed from across our business. We collect this information and then offset some of these GHG emissions by investing in renewable energy projects. This enables us to reduce the carbon intensity of our business activities.

During 2015, our business-related journeys accounted for 5,013 metric tonnes of CO_2e. These emissions were offset through the purchase of Gold Standard carbon credits in the Samsun landfill gas project which is located in the Black Sea region of Turkey. This project captures landfill gas and turns it into power. The project reduces greenhouse gases by displacing fossil fuels such as coal normally used to produce electricity and capturing methane that would have been released from the decay of waste disposed in a landfill site.

Business travel GHG emissions (tonnes of CO_2e)

1 Air travel	**276**
2 Rail travel	**56**
3 Car travel – own vehicles	**1,367**
4 Company car fuel use	**1,119**
5 Self-employed agent car use	**1,348**
6 Extracting, refining and transportation of raw fuel associated with business travel	**847**
Total	**5,013**



GOVERNANCE

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Governance

Introduction from the Chairman

Manjit Wolstenholme
Chairman

Dear shareholder

I am pleased to present our governance report to you for 2015.

During the year, the board had effective oversight of the operation of the divisions, made sure there were rigorous and robust risk management processes and strong internal controls in place and closely monitored compliance and other related areas across the group. In particular, we strengthened the role of chief risk officer in each of the divisions and ensured that there were integrated discussions between the board and the audit and risk committees. As part of this process, Stuart Sinclair was appointed to the board of the main subsidiaries within the Consumer Credit Division and Malcolm Le May was appointed to the board of the companies comprising Moneybarn. As Vanquis Bank has three independent non-executive directors, it was not felt necessary to appoint a non-executive director from the group board to the board of Vanquis Bank.

Key highlights for 2016

I have continued to develop my relationship with the Chief Executive and seek to act as a sounding board, adviser and confidante. We held monthly meetings throughout 2015 and I intend to continue with this practice in 2016.

As you are aware from our previous reports, we take corporate governance and the reporting of it very seriously and I am extremely pleased to report that we won 'Best Board Disclosure' for a second year running at the Institute of Chartered Secretaries and Administrators' 'Excellence in Governance Awards 2015' for our 2014 Annual Report. We also won the best Corporate Governance reporting in the FTSE 250 at the PwC Building Public Trust Awards in 2015. It is our aim and intention to uphold this high standard of reporting in this year's corporate governance report.

Following the publication of the FCA Occasional Paper: 8 Consumer Vulnerability in Financial Services, in February 2015, the board, through the risk advisory committee, carried out a review of the vulnerable consumer processes, policies and procedures in each of the divisions. Further details are set out on pages 59 and 99.

We have also taken measures to improve risk governance including, in particular, strengthening the role of the group internal audit function following an external review undertaken with the assistance of PwC. As a consequence, we extended the group internal audit function to cover all the divisions including Vanquis Bank and widened the skill base and experience of the function to support a group internal audit work plan. This provides clearer visibility of the Vanquis Bank audit activity to the audit committee and aligns the structure of the group internal audit function with the guidance issued by the Chartered Institute of Internal Auditors.

UK Corporate Governance Code

Corporate governance determines the allocation of authority and responsibilities and aligns corporate culture, corporate activities and behaviour with all applicable laws and regulations. I am pleased to report that we have complied in full with the principles and provisions of the UK Corporate Governance Code which was published in September 2014 (the Code). A copy of the Code can be found at www.frc.org.uk

Board evaluation

A number of action points arose from our internal board evaluation in 2014 which were reported on in last year's annual report. Progress against these action points is set out in more detail on page 95 of this report.

An internal board evaluation was undertaken in December 2015 and I am pleased to report that the scores were high with the lowest score being in relation to appropriate prioritisation and governance of succession planning which the board has addressed in 2015 and will continue to prioritise in 2016. It was pleasing to note that the scoring recognised that the board was continuing to evolve, relationships were developing and that different views around the board table were being taken into account. There was, however, some concern raised over the quality of the information and presentations included in the meeting packs and the adequacy of the briefings from the committees, which we intend to address during 2016. Further information about this is set out on page 96.

Board composition

Following a formal performance evaluation that I carried out in October 2015, the nomination committee agreed to recommend to the board the extension of Stuart Sinclair's term of appointment by three years. The committee's recommendation was based on Stuart's recent and relevant financial experience, his knowledge of the group and the fact that his length of tenure creates a balance with the two non-executive directors who joined the board in January 2014.

I am pleased to report that the board accepted the nomination committee's recommendation at its meeting in October 2015.

Manjit Wolstenholme
Chairman
23 February 2016

Governance

Our directors and officers

Peter Crook (52)

Chief Executive

Appointed to the board: 2006

Chairman:

Executive committee and group executive committee

Key achievements:

- Successfully addressed the succession issues at Vanquis Bank by recruiting Chris Sweeney to replace Michael Lenora as Managing Director following his retirement.
- Oversaw the entry of the group into the FTSE 100 Index.
- Integration of and support for the non-executive directors who joined the boards of two of the group's divisions.
- Provided strategic input into the future growth options for Vanquis Bank.
- Provided strategic input into the FCA full authorisation and change of permission application processes being undertaken by the divisions.

Previous board and management experience:

UK managing director, Barclaycard.

Current external appointments:

Non-executive director of Cabot (Group Holdings) Limited.

Andrew Fisher (58)

Finance Director

Appointed to the board: 2006

Committee membership:

Executive committee and group executive committee

Key achievements:

- Oversaw the creation of a group internal audit function.
- Oversaw the group's discussions with the Prudential Regulation Authority (PRA) on regulatory requirements.
- Recruited a new Director of Corporate Finance and Development.
- Effectively managed the ongoing relationship with 'Fitch Ratings', the group's rating agency.
- Implemented a revised investment strategy for the group's defined benefit pension scheme in conjunction with the trustees.

Previous board and management experience:

Finance director of Premier Farnell plc and partner at Price Waterhouse LLP.

Current external appointments:

None.

Manjit Wolstenholme (51)

Independent non-executive Chairman

Appointed to the board: 2007

Committee membership:

Risk advisory committee

Chairman:

Nomination committee

Key strengths:

- Extensive experience of corporate finance matters, having spent 13 years in investment banking.

Previous board and management experience:

Co-head of investment banking at Dresdner Kleinwort Wasserstein, partner at Gleacher Shacklock and non-executive director of Aviva Investors Holdings Limited.

Current external appointments:

Non-executive director of Future plc, the Unite Group plc, CALA Group (Holdings) Limited and CMC Markets plc.

Malcolm Le May (58)

Independent non-executive director

Senior Independent Director

Appointed to the board: 2014

Committee membership:

Audit committee, risk advisory committee and nomination committee

Chairman:

Remuneration committee

Key strengths:

- Over 30 years' experience in banking, asset management and insurance.

Previous board and management experience:

Co-head of banking for Barclays in New York; head of investment banking, Europe at UBS, global head of corporate and investment banking at ING Barings, deputy CEO at Morley Fund Management (now Aviva Investors), president of JER Europe, senior independent director of Pendragon plc and non-executive director of RSA Insurance Group plc.

Current external appointments:

Senior independent director of IG Group Holdings plc, non-executive director of Hastings Group Holdings plc, governor of Twyford School, senior advisor to Ernst & Young and to Heidrick & Struggles, and partner at Opus Corporate Finance and Juno Capital LLP.

Alison Halsey (60)

Independent non-executive director

Appointed to the board: 2014

Committee membership:

Remuneration committee, risk advisory committee and nomination committee

Chairman:

Audit committee

Key strengths:

> 34 years with KPMG specialising in financial services with audit and advisory responsibilities for UK and international banks.

Previous board and management experience:

Partner at KPMG. Advised a number of UK charities and was a board member of the National Autistic Society for five years.

Current external appointments:

Non-executive director of Cambian Group plc, Aon UK Limited, Credit Suisse International and Credit Suisse Securities (Europe) Limited.

Stuart Sinclair (62)

Independent non-executive director

Appointed to the board: 2012

Committee membership:

Remuneration committee, audit committee and nomination committee

Chairman:

Risk advisory committee

Key strengths:

> Extensive experience in the financial services market in the UK and overseas.

> 10 years' experience in US-based management consulting, 14 years' experience as CEO or equivalent in retail banking organisations and seven years' experience on the boards of financial services companies.

Previous board and management experience:

Chairman of GE Capital China and GE Capital Bank (UK), chief executive officer of Tesco Personal Finance, director of Virgin Direct, director of Retail Banking at The Royal Bank of Scotland, non-executive director at Liverpool Victoria and TSB plc and council member of the Royal Institute for International Affairs (Chatham House).

Current external appointments:

Director of Vitality Health, senior independent director of Swinton Group Limited, QBE Insurance (Europe) Limited and QBE Underwriting Limited; non-executive director of Lloyds Bank plc, Lloyds Banking Group Limited, Bank of Scotland plc and HBOS plc.

Rob Anderson (57)

Independent non-executive director

Appointed to the board: 2009

Committee membership:

Remuneration committee, audit committee, risk advisory committee and nomination committee

Chairman:

None

Key strengths:

> Extensive retail experience and knowledge of the type of consumer served by the group. Operational business experience which is relevant to the group's businesses.

Previous board and management experience:

Director of childrenswear business unit of Marks & Spencer and chief executive of Signet Jewelers Limited's UK Division.

Current external appointments:

None.

Ken Mullen (57)

General Counsel and Company Secretary

Appointed to the board: 2007

Committee membership:

Group executive committee

Secretary:

Executive committee, remuneration committee, audit committee, risk advisory committee and nomination committee

Key achievements:

> Project management of the legal due diligence exercises, through a combination of internal and external legal resources, on two potential acquisition targets.

> In his capacity as chairman of the Trustees, renewed the investment strategy of the group's defined benefit pension scheme which has resulted in a significant de-risking of the scheme's assets and the creation of a hedging strategy in respect of two key risks faced by the scheme: interest rate fluctuation and changes in the level of inflation.

> Close management of the group's regulatory relationships, both in the UK and Ireland.

Previous board and management experience:

Company secretary and general counsel of Premier Farnell plc, Silentnight plc and Whessoe plc.

Current external appointments:

Chairman of Rexel UK Limited Pension Scheme.

Governance

Leadership

> I HAVE STRUCTURED THE BOARD IN TERMS OF LEADERSHIP, SIZE AND USE OF COMMITTEES TO ENABLE IT TO EFFECTIVELY CARRY OUT ITS OVERSIGHT ROLE AND OTHER RESPONSIBILITIES.

Manjit Wolstenholme
Chairman

This report looks at the board and its members, their role, their performance and their oversight. It also looks at director induction, succession planning, independence and effectiveness. An effective board is pivotal to the company's long-term success and viability.

The board is ultimately responsible for the business strategy and financial soundness of the group and for establishing a governance structure and practices which facilitate effective decision making and good governance.

The board sets the tone at the top and oversees management's role in fostering and maintaining a sound corporate and risk culture. This includes clearly laying out the key responsibilities and authorities of the board itself and of senior management and of those responsible for the risk management and control functions.

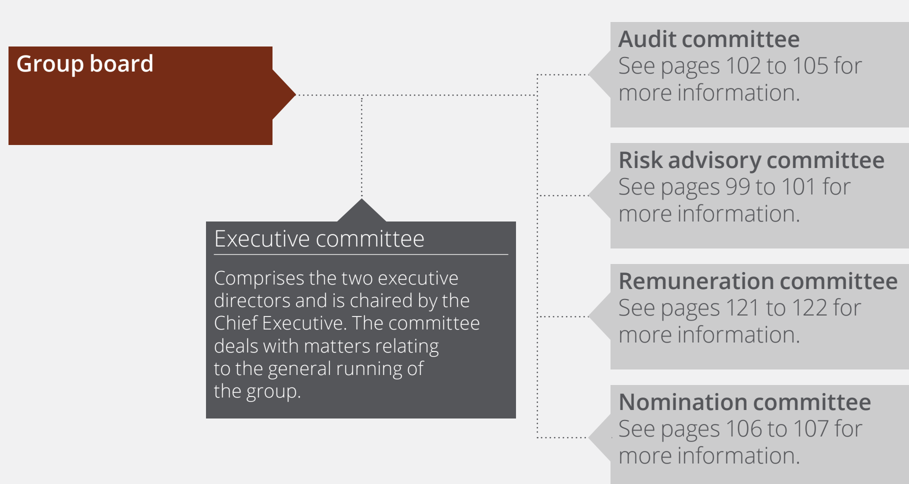
The board also plays a key role in establishing the group's culture and values and in ensuring there is not excessive risk taking within the group. The structure of the group is driven by both top down board leadership and bottom up management involvement and the board continually assesses whether the senior management's collective knowledge and expertise remain appropriate given the nature of the business and the group's risk profile.

Specific key decisions and matters have been reserved for approval by the board and are set out in its terms of reference. These include: the establishment of, and changes to, the group strategy; determination of interim and recommendation of final dividends having considered the available distributable reserves and regulatory capital requirements of the group; approval of all major transactions; approval of the group budget and financial results; approval of the Vanquis Bank controls required by the PRA safety and soundness objectives; and the annual review of the effectiveness of the group's system of internal controls.

The board reviews the terms of reference for itself and its committees annually. It last updated its terms of reference and those of its committees in January 2015. The full formal schedule of matters reserved to the board and each of its committees can be found on the group's website at www.providentfinancial.com.

To assist the board in carrying out its functions and to ensure that there is independent oversight of internal controls and risk management, the board delegates certain functions to its five principal committees as shown in the diagram below. Membership of these committees consists primarily of the independent non-executive directors and, in some cases, the Chairman, with the exception of the executive committee which consists of the two executive directors only.

Governance framework



The chairman of each board committee reports to the board on the matters discussed at each committee meeting.

Greater involvement in evaluating and promoting a strong risk culture in the organisation is central to the creation of long-term shareholder value and is overseen by the risk advisory committee on behalf of the board. The risk advisory committee considers the group's risk appetite, the nature and extent of the risks facing the group, including the framework to mitigate such risks and notifies the board of changes to the status and control of risks. The committee has continued to take measures during 2015 to improve risk governance, including the commissioning of detailed reviews on conduct matters such as how the divisions are addressing the needs of vulnerable consumers.

In addition, the group has detailed corporate policies which are explained on page 58 of this report. On a day-to-day basis, the divisions and the corporate office team have responsibility for the implementation of the corporate policies and the group executive committee is responsible for the general oversight of this process.

Detailed reports on the activities of the risk advisory committee, audit committee and nomination committee are set out in this report on pages 99, 102 and 106 respectively.

Details of the work of the remuneration committee together with the Annual Statement from the remuneration committee chairman, the Remuneration Policy and the Annual Report on Remuneration, are set out in the directors' remuneration report, on pages 113 to 132.

The right team

The board held eight meetings in 2015. Individual director attendance is set out in the table below.

The board has overall responsibility for the group's governance framework, for corporate culture and for the group's strategic objectives, including approving and overseeing management's implementation. As part of that process and, as in previous years, an annual two-day corporate planning conference (CPC) was held off-site to review and develop the group's strategy. The CPC is attended by all board members, the General Counsel and Company Secretary, the Director of Corporate Strategy and Risk and other members of the senior management team where appropriate.

In 2015, the Director of Corporate Affairs, the managing directors and commercial directors of Vanquis Bank and the Consumer Credit Division (CCD), the Operations Director of the home credit business of CCD and the Finance Director of Vanquis Bank also attended and were involved in all the discussions. For the first time, the Managing Director, Commercial Director and Finance Director of Moneybarn were also in attendance. The agenda included:

> A facilitated discussion on the general macro-economic environment and the non-standard consumer credit market in which the group operates;

> A facilitated discussion on the implications of the UK General Election result in so far as it has an effect on the operation of the group;

> A presentation and discussion on what younger generations want and expect of their employers and careers;

> A review of the overall group strategy including a consideration of group strategic choices;

> Consideration of a range of potential acquisition targets;

> Discussion on the strategic options for the future development of the home credit business of CCD; and

> Discussion on the future strategic options for the development of Vanquis Bank.

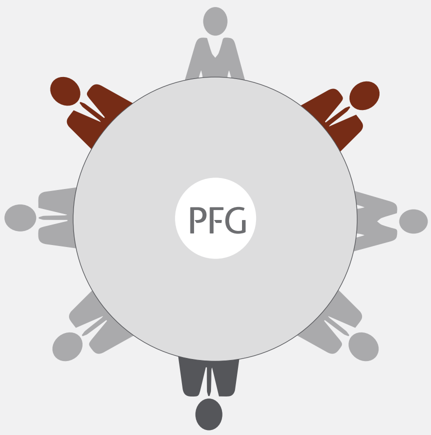
Attendance at board and committee meetings

	Board	Audit committee	Nomination committee	Remuneration committee	Risk advisory committee	Percentage attended
Total number of meetings in 2015	**8**	**4**	**3**	**6**	**4**	
Manjit Wolstenholme	8	–	3	–	4	100%
Peter Crook	8	–	–	–	–	100%
Andrew Fisher	8	–	–	–	–	100%
Malcolm Le May	8	4	3	6	4	100%
Rob Anderson	8	4	3	6	4	100%
Alison Halsey	8	4	3	6	4	100%
Stuart Sinclair	7	3	2	4	4	80%

Governance

Leadership (continued)

Board composition



Executive director
Non-executive director
Company Secretary

The board comprises the Chairman, two executive directors, four independent non-executive directors and the Company Secretary. Their responsibilities are summarised in the table on page 93. The names of the directors and the Company Secretary together with their full biographical details, including the skills and experience they each bring to the board, can be found on pages 88 and 89. There is a clear division of responsibility at the head of the group as the Chairman has overall responsibility for the leadership of the board and for its effective functioning, whilst the Chief Executive manages and leads the businesses through their senior management teams.

At each main meeting

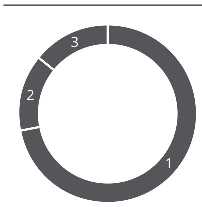
Discussion:

Chief Executive's report
Acquisition opportunities
Trading results and key performance indicators (KPIs)
Finance Director's report
Management accounts and financial commentary
Divisional operational reports
Treasury matters
Legal, company secretarial and regulatory matters
Board committee matters
Investor relations and shareholder feedback
Corporate affairs

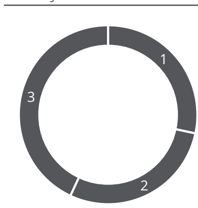
Review:

Minutes of previous meetings
Minutes of the meetings of the executive committee
Implementation of actions agreed at previous meetings

Sector experience	
1 Financial services	72%
2 Retail	14%
3 Other	14%



Tenure	
1: 0–3 years	2
2: 3–6 years	2
3: 6+ years	3



Key board discussions and actions in 2015

JAN

- Consideration of the future of the Vanquis Bank Polish pilot and a decision to commence a process to exit from the Polish market.
- Review and approval of a revised investment strategy for the group's defined benefit pension scheme.
- Presentation by the group Head of Tax on current issues and the group tax policy.

FEB

- Review of the group's talent for succession planning purposes.
- Review of the 2014 Annual Report and Financial Statements.
- Review, update and approval of the £2,000,000,000 Euro Medium Term Note Programme.
- Acceptance of the recommendation from the nomination committee to extend Rob Anderson's term of office to 30 March 2018.
- Review of non-executive directors' fees.

MAY

- Review of a potential acquisition opportunity.
- Review and approval of non-executive appointments to divisional boards.
- Further review of the group's talent for succession planning purposes.
- Establishment of a group internal audit strategy and creation of an expanded centralised group function.
- Review of the Interim Management Statement.

JUN

- Consideration of a potential acquisition target and review and approval of a term sheet.
- Review and approval of the 2015 budget update.
- Consideration and approval of the draft output of the CPC.

JUL

- Approval of the group's internal capital adequacy assessment process (ICAAP).
- Consideration of a potential acquisition target.
- Approval of the Interim Report.

SEP

- Approval of two external appointments requested by the Chairman.

OCT

- Acceptance of the recommendation from the nomination committee to extend Stuart Sinclair's term of office to 31 October 2018.
- Review and approval of new lease terms for the Vanquis Bank contact centre in Chatham.
- Approval of the Interim Management Statement.

DEC

- Review of the internal board evaluation.
- Review of non-executive directors' fees and independence.
- Review and approval of the 2016 budget and profit plan 2016–2020.

Roles

Role	Responsibilities	
The Chairman	> Chairs the board, the nomination committee and the AGM. > Sets the board meeting agendas with the Chief Executive and Company Secretary to ensure that they are aligned with strategic objectives and that the board devotes its time and attention to the right matters. > Encourages and promotes critical discussion and ensures dissenting views can be freely expressed and discussed within the decision making process. > Ensures board decisions are taken on a sound and well-informed basis. > Facilitates and encourages active engagement and appropriate challenge by all directors. > Ensures the board receives timely and relevant information and is kept advised of key developments.	**Manjit Wolstenholme is also a non-executive director of Future plc, The Unite Group plc, CALA Group (Holdings) Limited and CMC Markets plc. These appointments involve no more than one and a half days' work per week and there have been no material changes in her other commitments since 1 January 2016. She dedicates sufficient time to the exercise of her responsibilities.**
The Chief Executive	> Responsible for the day-to-day management, leadership and direction of the group and the executive management team in accordance with the strategy and long-term objectives approved by the board. > Chairs the executive committee and makes decisions on matters affecting the operation, performance and strategy of the group's businesses, with the exception of those matters reserved to the board. > Responsible for overseeing the delivery of the corporate responsibility agenda of the group.	**Peter Crook also chairs the divisional boards of CCD and Moneybarn, and until 29 January 2016, chaired the board of Vanquis Bank.**
Executive directors	> Responsible for all matters affecting the performance of the group. > Responsible for implementation of strategy, policies, budgets and the financial performance of the group in a manner consistent with the business strategy, risk appetite and other procedures approved by the board. > Provide specialist knowledge and experience to the board. > Responsible for the successful leadership and management of the risk and finance functions across the group.	**Peter Crook and Andrew Fisher comprise the executive committee which deals with matters relating to the running of the group other than those reserved to the board and the other committees.**
Non-executive directors	> Provide independent and constructive challenge. > Provide governance through participation in and chairmanship of the board committees. > Provide an external focus to the board's discussions, particularly with regard to strategy and business development. > Monitor and review the performance of the executive directors. > Bring experience and knowledge from other sectors which is of relevance to the group.	**The non-executive directors have a range of recent and relevant financial services, corporate governance and retail consumer experience as detailed on pages 88 and 89.** **They are appointed for fixed periods of three years, subject to confirmation by shareholders. This three-year period may be extended for a further three years (and, in exceptional cases, further extended), subject to annual reappointment by shareholders. Their letters of appointment may be inspected at the company's registered office or can be obtained on request from the Company Secretary.** **Stuart Sinclair's term of appointment has been extended for an additional three years, subject to shareholder approval at the 2016 AGM.**
Senior Independent Director (SID)	> Is available for shareholders if they have any concerns which contact through the normal channels has failed to resolve or is inappropriate. > Acts as a sounding board for the other directors and confidant for the Chairman. > Is a conduit, as required, for the views of the other non-executive directors on the performance of the Chairman. > Conducts the Chairman's annual performance evaluation.	**Malcolm Le May assumed the role of SID on 1 January 2014. He was selected for this role on account of his extensive experience in the financial services sector and his wide ranging public company and corporate experience.**
Company Secretary	> Responsible to the board. > Ensures the information sent to the board is fit for purpose and facilitates effective discussions. > Provides comprehensive practical legal support and guidance to directors, both as individuals and collectively. > Provides support for the non-executive directors in maintaining the highest standards of probity and corporate governance. > Responsible for communicating with shareholders, as appropriate, and ensuring that due regard is paid to their interests.	**All directors are able to consult with Ken Mullen as the Company Secretary, who is also secretary to all of the board committees.** **There is also a formal procedure by which any director may take independent professional advice relating to the performance of any aspect of their duties at the company's expense, which is facilitated by the Company Secretary.** **The appointment and removal of the Company Secretary is a matter for the board.**

Governance

Effectiveness

What does effectiveness mean to the company?

Board members are qualified, individually and collectively, for their positions. They understand their oversight and corporate governance responsibilities and are able to exercise sound objective judgement about the affairs of the group. The balance of the board in terms of skills, diversity and expertise is commensurate with the size, complexity and risk profile of the group.

The Chairman manages the board and oversees the operation of its committees, with the aim of ensuring that they operate effectively by fully utilising the diverse range of skills and experience of the various board members. The board and its committees are annually assessed to ensure their effectiveness is maintained, that they remain fit for purpose, and that they continue to evolve and develop to address the ever-changing regulatory environment in which the group operates. Evaluating the board's performance can lead to fresh insights into the functioning of the board, whilst potentially identifying areas that might need to be strengthened and developed.

Induction of new directors

On appointment, to help board members acquire a good understanding and knowledge of the group's businesses and to enable them to fulfil their responsibilities, they are required to participate in a comprehensive induction programme which introduces them to the group's businesses and its senior management.

The programme includes individual meetings with the executive directors and the Company Secretary; meetings with the divisional boards and senior management teams in each division; spending a day at one of the CCD branches; and meeting with the audit partner from Deloitte LLP.

Training

Appropriate training and briefing is provided to all directors on appointment to the board, taking into account their individual qualifications, skills and experience. Ongoing training is arranged to suit their specific needs and the Chairman periodically reviews and agrees with each director their training and development needs. Following last year's report, the Chairman has put in place individual development plans for each of the non-executive directors which focus on areas where they can add value to the key strategic matters facing the group. In addition, the board requested, through the Chief Executive, that as part of the group's succession plan, action was in hand to create personal development plans for those divisional and corporate office employees who were identified as high potential individuals through the group talent review exercise carried out by the board during 2015.

Independence of non-executive directors

Non-executive directors are expected to be independent in character and judgement and free from any business or other relationship which could materially interfere with the exercise of that judgement. The board considers and reviews the independence of each non-executive director on an annual basis. In carrying out the review, consideration is given to factors such as length of tenure, the ability of the director to provide objective challenge to management and each director's other material commitments.

Each of the five non-executive directors was formally determined by the board in December 2015 to be independent for the purposes of the effective governance of the group, in line with the independence expectations of the Code. The board's assessment is based on the fact that they have all served less than nine years in their current roles, they receive no additional benefits from the group and they have not previously held an executive role within the group.

The board has determined that there are no current or past matters which are likely to affect their independent judgement and that there have been no material changes since the determination was made.

Conflicts of interest

The Companies Act 2006 ('the Act') and the company's articles of association ('the Articles') require the board to consider any potential conflicts of interest. The board considers and, if appropriate, authorises each director's reported actual and potential conflict of interest, taking into consideration what is in the best interests of the company and whether the director's ability to act in accordance with his or her wider duties is affected. The board has put procedures in place to deal with situations where a director has an actual or potential conflict of interest. Each director abstains from approving their own reported and potential conflicts, and as part of these procedures the board:

> Considers each conflict situation separately based on its particular facts;

> Considers any potential conflict situation in conjunction with the other duties of directors under the Act;

> Keeps records and board minutes on authorisations granted by directors and the scope of any approvals given; and

> Regularly reviews conflict authorisations.

The board has complied with these procedures during the year.

Board evaluation 2014

Following the internal board evaluation in 2014, a summary of the board's progress against the actions that arose is set out below:

Actions	Progress/outcomes
1. Continue to develop and extend the board's work on succession planning, which will include consideration of high potential individuals and their development in the business.	The board carried out a group talent review at its meetings in February and May and requested that the Chief Executive ensure personal development plans were established for divisional and corporate office employees who were identified as high potential individuals as part of the group talent review. This is a continuing action which was also identified in the 2015 evaluation.
2. Consideration to be given to complementing and strengthening the board's existing skill set.	The Chairman has put in place personal development plans for the non-executive directors and will continue to keep under consideration the need to strengthen the board's existing skill set through the recruitment of a board member with digital and technology skills. This is a continuing action which was also identified in the 2015 evaluation.
3. Continue to encourage interaction between the non-executive directors and the businesses and senior management.	Various meetings and events took place during 2015 which fostered more extensive contact between the non-executive directors and the senior management of the businesses, which included an on-site board meeting at Moneybarn followed by a lunch with all the staff.
4. Improvements to the board agenda to ensure that there is a substantial element of strategy discussed, more discussions on broader topics, more variety in presentation and themes and less 'run of the mill' reporting.	During 2015 a number of strategic issues were discussed at the board meetings, with some of the discussion being facilitated by external parties including potential acquisitions, future funding options for the group and the group talent review.
5. Further integration of the CPC output required.	A summary of the output from the 2015 CPC was presented at the board meeting in June 2015 and progress on identified actions was considered and approved. This is a continuing action which was also identified in the 2015 evaluation.
6. Consider the board's visibility and control over the divisions, whilst allowing FCA approved persons within the divisions to fulfil their responsibilities.	Within the group structure, the board is aware of the material risks and issues which might affect the group as a whole and, during 2015, it considered various alternative governance structures to ensure it could exercise adequate oversight of the divisions, while respecting the independent legal and governance responsibilities that apply to its subsidiary boards. Work has commenced, but is not yet completed, to establish a corporate governance framework with clearly defined roles and responsibilities, including those at the parent company level and at the subsidiary level, as may be appropriate, based on the complexity and significance of the divisions. Stuart Sinclair was appointed as a non-executive director of the companies comprising CCD and Malcolm Le May was appointed as a non-executive director of the companies comprising Moneybarn in order to further enhance the board's oversight of these divisions.

Governance

Effectiveness (continued)

Board evaluation 2015

Following the internal board evaluation in 2014, this year's evaluation of the board, its committees, individual directors and the Chairman was also carried out internally in December 2015, by way of a detailed questionnaire.

The results of the evaluation were discussed by the board as a whole at its meeting in December 2015, and at the committee meetings in December 2015 and January and February 2016. The evaluation confirmed that the board and its committees were working effectively and efficiently as a team and a high overall score was achieved. The evaluation confirmed that improvements had been made since the external board evaluation in 2013 and the internal evaluation in 2014, and also identified a number of areas for further improvement.

Areas	Progress	Action points
1. Overview	The board overall scored well, either meeting or exceeding requirements.	No significant actions were identified.
2. Role of directors and the board	The board scored well and exceeded requirements on acting effectively. The board gave excellent feedback on the role of the Company Secretary.	It was felt important that the board maintains a clear and rigorous process for identifying, assessing and selecting board candidates.
3. Board composition	The board unanimously felt that additional skills would be beneficial as the group evolves in the technology and digital sphere. It was also agreed that a sufficient amount of time had been spent on succession planning in 2015, and that this should remain a priority for 2016.	The board and the nomination committee should continue to look at succession planning as a priority in 2016. Consideration should be given in the future to recruitment of a board member with technology and/or digital skills.
4. Non-executive directors	The board was extremely satisfied with the non-executive directors' contribution to the board's effectiveness. In 2015, the non-executive directors continued to have discussions without the executive directors present which were considered to be beneficial.	No significant actions required.
5. Executive directors	The board agreed that the executive directors have a strong and balanced relationship and that they have a broad range of skills. Their effectiveness was determined to be at a very high level.	No significant actions required.
6. Board meetings	The board agreed that its meetings were effective but that there was still a need for a stronger link to the output from the CPC and to strategy in general.	The timing, content and scope of meetings will be kept under review, particularly regarding the monitoring of the output from the CPC.
7. Monitoring performance	The board agreed that the monthly financial and operational performance reporting was very comprehensive but that it should include more information on the important issues that require discussion.	The board agreed to keep under review the content and format of presentations and background information provided for decisions.
8. Information	The board agreed that this was a particular area that had significantly improved over recent years but thought there was still a lack of information between board meetings on occasions.	The executive directors agreed to ensure that more information, particularly on key or strategic issues, would be provided in the form of a regular update between meetings in 2016 as required.
9. Leadership and culture	The board, excluding the Chairman, agreed that the Chairman demonstrates effective leadership, allows everyone to contribute and summarises actions, decisions and the nature of the debate very well. She is well respected and has a strong relationship with the Chief Executive and other board members.	No significant actions were identified.
10. Corporate governance	The board agreed that it continues to maintain a high standard of corporate governance but thought that there could be more briefings on emerging topics.	The executive directors agreed to ensure that going forward there are effective briefings on any emerging topics.
11. Committees	Overall, the committees scored well and met the requirements of the board. The board agreed that there had been an appropriate level of focus on customer and conduct risk but felt risk management methodology required better alignment across the group.	It was agreed that the following improvements would be implemented: greater alignment of risk reporting across the group; greater links between risk and remuneration; and a continued focus on succession planning.

Board evaluation 2016

In accordance with the requirements of the Code, an externally facilitated board evaluation will be carried out in 2016.

Governance

Shareholder engagement

Key themes discussed with shareholders in 2015

Provident home credit

- Levels of disposable income and confidence in the customer base.
- The point at which the contraction in customer numbers and receivables stabilises following completion of the repositioning of home credit into a smaller, better quality, more cost-efficient business.
- Next stages of development for the business.

Satsuma and glo

- Development of underwriting at Satsuma and glo.
- Competitive environment in online short-term credit and impact on business volumes.
- Impact of regulation on High-Cost Short-Term Credit.
- Progress with glo and rationale behind decision to roll-out in 2016.

Moneybarn

- Growth in new business volumes.
- Development of product proposition and distribution channels.
- Progress in building an infrastructure to support growth in the business.

Vanquis Bank

- Medium-term growth targets.
- Competitive environment.
- Focus and outcome of the FCA credit card review.

The Chairman is responsible for ensuring that appropriate channels of communication are established between directors and shareholders and that all directors are aware of any issues and concerns that major shareholders may have.

Regular engagement provides investors with an opportunity to discuss particular areas of interest and raise any concerns. The group is eager to ensure that it understands shareholders' views and that it is able to effectively communicate its strategy. The group engages effectively with shareholders through its regular communications, the AGM and other investor relations (IR) activity.

IR programme

The group has a comprehensive IR programme through which the Chief Executive, Finance Director and Head of IR engage regularly with the company's largest shareholders on a one-to-one basis to discuss strategic and other issues as well as to give presentations on the group's results.

The effectiveness of the group's IR programme has been recognised in the UK PLC Awards for three consecutive years. The group won the award for 'Best Investor Communications' in 2012 and was included in a shortlist of four in 2013 and 2014. The group has also been awarded the 'Excellence in Financial Reporting in the FTSE 250' for two consecutive years at the PwC Building Public Trust Awards.

Specific information on the 2015 IR programme can be found in the calendar on page 98. Further communication is achieved through:

- The annual report – this is the most significant communication tool, ensuring that investors are kept fully informed regarding developments in the group. Management continually strives to produce an award-winning, clear and transparent annual report which provides shareholders with a complete picture of the group.
- The corporate website – provides investors with timely information on the group's performance as well as details of the group's corporate responsibility (CR) activities. In 2015, a full refresh of the website was undertaken to improve its look and feel and to ensure that the website was fully accessible from either a PC, tablet or smartphone without the need for a separate mobile app.
- Investor days – inviting institutional shareholders and sell-side analysts to an on-site facility or an external location to provide them with a more detailed insight into the group. The most recent investor day took place at Vanquis Bank's London headquarters on 16 April 2015 and was very well attended. The next investor day is likely to be held in spring 2017, subject to newsflow.

"THE PRIMARY OBJECTIVE OF CORPORATE GOVERNANCE SHOULD BE SAFEGUARDING SHAREHOLDER AND OTHER STAKEHOLDER INTERESTS."

Manjit Wolstenholme
Chairman

Governance

Shareholder engagement (continued)

- Investor/analyst meetings – the group takes a proactive approach by inviting investors and sell-side analysts to meet with divisional senior management and to visit operational facilities.
- US and European roadshow programmes – allows overseas investors better access to management, enabling them to receive the same access to information as investors in the UK. Usually attended by the Chief Executive, the Finance Director and the Head of IR.
- Attending broker conferences – management regularly attend and present at various conferences hosted by brokers to ensure that a wide variety of shareholders, including those from different geographies, have access to management.
- An annual CR report – a stand alone report clearly demonstrating the significant importance placed on corporate responsibilities within the group.
- Responding promptly – the group is committed to responding to shareholders, regardless of the size of their holding, within two working days.
- An annual perception audit – designed to obtain formal independent feedback from investors and sell-side analysts. This enables management to consider and respond to any concerns in the investment community.

Board oversight

Communications with shareholders are given a high priority by the board. In order to ensure that board members develop an understanding of the views of major shareholders, there is regular dialogue with institutional shareholders, including meetings after the announcement of the year-end and half-yearly results. Shareholders occasionally meet with the Chairman or SID both in his capacity as senior independent director and as remuneration committee chairman when required to discuss remuneration matters.

The board also considers an IR report at each board meeting which outlines the general nature of matters communicated and discussed with institutional investors, including feedback. Independent reviews of shareholder views are also commissioned through an annual perception audit and reviewed by the board. The group collates broker feedback from roadshows to present in the IR board report and all analyst and broker reports on the company are also distributed to all board members.

This year there have been no significant issues raised by shareholders in relation to the company. Had there been, these would have been reported to the board, discussed in detail, and an appropriate corrective action plan developed to address any concerns raised.

AGM

Shareholders are invited each year to attend the AGM, where board members are available to answer any shareholders' questions. Facilities are also available for shareholders to submit questions in advance of the meeting and to cast their votes electronically or by post. Details of the proxy votes cast are made available by means of an announcement to the London Stock Exchange and on the group's website. In the event that, in the opinion of the board, a significant proportion of votes have been cast against a resolution at any general meeting, the company will explain when announcing the results of voting what action it intends to take to understand the reasons behind the vote result. It is the company's policy to give shareholders in excess of 20 working days' notice of the AGM and with regard to any other general meeting, the company will provide at least 14 working days' notice of the meeting. The Notice of the 2016 AGM setting out the resolutions for the meeting, together with an explanation of them, accompanies this report and is available on the group's website. Details of the 2016 AGM are set out on page 112 of the Directors' Report.

Investor relations programme in 2015

JAN
- Trading statement.

FEB
- Preliminary results announcement.
- London and Edinburgh investor/sales team roadshows.

MAR
- Dublin roadshow.

APR
- Investor & Analyst Event (Vanquis Bank, London).

MAY
- AGM and Q1 IMS.
- US investor roadshow (Chicago, Boston and New York).

JUN
- KBW UK Challenger Banks Conference.
- Shore Capital UK Specialist Lending Seminar.

JUL
- Interim results announcement.
- London and Edinburgh investor/sales team roadshows.

SEP
- KBW UK Growth Bank conference.

OCT
- Q3 IMS and analysts call.
- Zurich and Geneva roadshow.

NOV
- US investor roadshow (New York and Chicago).
- JP Morgan 'Best of British' Conference.

DEC
- Berenberg European Investor Conference.
- Citi 'Diversified Financials' Conference.

Find out more online – we publish our results and presentations on our investor website at www.providentfinancial.com

Risk advisory committee

Accountability

As part of the overall corporate governance framework, the board has ultimate responsibility for overseeing a strong risk governance framework and determining the nature and extent of the principal risks it is willing to accept to achieve its strategic objectives. The board is also responsible for maintaining a sound system of risk management and internal controls, in accordance with the Code.

The risk advisory committee assists the board by taking an active role in defining risk appetite and monitoring the risk management and internal control systems across the group.

Risk advisory committee

Members	Attendees by invitation
Stuart Sinclair (Chairman)	Peter Crook
Alison Halsey	Andrew Fisher
Malcolm Le May	David Mortlock (Head of Group Internal Audit)
Manjit Wolstenholme	David Merrett (Director of Corporate Strategy and Risk)
Rob Anderson	The managing director and chief risk officer of each division also attend meetings of the committee to discuss customer and conduct risk and related governance issues.

Secretary

Ken Mullen

"Risks are identified, monitored and controlled on an ongoing group wide and individual divisional basis. The sophistication of the group's risk management and internal control infrastructure needs to keep pace with changes to the group's risk profile, to the external risk landscape and to the requirements of the regulatory environment."

Stuart Sinclair
Risk advisory committee chairman

Governance in action

Risk management

A substantial number of changes were made to the committee during 2014, which were reported in last year's Annual Report and Financial Statements.

During 2015, the committee assumed responsibility for the review of the group's management of customer and conduct risk and related governance, as part of its wider remit to review and monitor risk management across the group. The principal purpose of the committee in this regard is to monitor the effectiveness of the divisions in establishing and maintaining frameworks, policies and procedures to identify and manage customer and conduct risk and related governance. This ensures that customers' needs are at the heart of divisional and group objectives and that there is a fair deal between the divisions and their customers.

The committee also recommends an overall group customer and conduct risk appetite, culture and tone for approval by the board.

The time allocated for committee meetings has been significantly extended to allow a full review to be undertaken of each division's conduct risk framework and their conduct risk governance policies.

During 2015, the committee received regular reports from the managing director and the chief risk officer of each division on: (1) how customer and conduct risks were being managed within divisional and group appetite; (2) on current or emerging conduct risk issues that the board and committee should be aware of; and (3) on the key conduct risk issues that have been discussed at divisional level. In addition, the committee carried out a review of the processes, policies and procedures in each of the divisions in relation to the FCA requirements on vulnerable consumers. This review was to ensure not only that there was compliance with the FCA requirements and that consumers were being treated with the appropriate level of care, but also to ensure that the FCA requirements on vulnerable consumers had been considered in the context of the current statutory framework in the UK in relation to data protection, equality, privacy and discrimination.

Further details on the review of the vulnerable consumer processes, policies and procedures in each of the divisions are set out on page 59 of the strategic report.

Risk advisory committee (continued)

> AN EFFECTIVE RISK GOVERNANCE FRAMEWORK REQUIRES ROBUST COMMUNICATION WITHIN THE GROUP ABOUT RISK, BOTH ACROSS THE ORGANISATION AND THROUGH REPORTING TO THE BOARD AND SENIOR MANAGEMENT.

Stuart Sinclair
Risk advisory committee chairman

Role and responsibilities of the risk advisory committee

The risk advisory committee's principal purposes are to recommend an overall customer and conduct risk appetite, culture and tone for approval by the board and to monitor the effectiveness of the divisions in establishing and maintaining risk management frameworks, policies and procedures.

In addition to the responsibilities mentioned above, the committee is also responsible for:

> Carrying out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity. A description of the principal risks and the actions taken to manage or mitigate those risks are set out in detail on pages 57 to 65 of the strategic report;

> Reviewing the group's capability to identify and manage new risk types, and keeping under review the effectiveness of the group's internal control and risk management systems in conjunction with the audit committee;

> Reviewing the group's identification of current and forward-looking risk exposures;

> Reviewing the group's business continuity plans;

> Notifying the board of any changes in the status and control of risks; and

> Reviewing and approving the ICAAP stress testing and capital allocation approach for submission to the board for approval.

Update on 2015 activities

During 2015, the risk advisory committee:

> Updated its terms of reference to reflect its responsibilities in relation to customer and conduct risk and related governance and to reflect the attendance of the managing directors and chief risk officers for the discussion on these matters at committee meetings;

> Assisted Moneybarn in developing a risk register, risk profile and supporting risk dashboards in a format consistent with the other divisions within the group;

> Commissioned a detailed IT review across the CCD and Vanquis Bank divisions and discussed the output;

> Updated the group risk management framework and group risk appetite to include customer and conduct risk management and related governance and customer outcomes;

> Undertook the activities set out in the calendar on page 101;

> Recalibrated the overall group risk appetite to the 2015 budget; and

> Updated the corporate policy on risk management.

The group is exposed to changing regulatory requirements as its activities change and develop. Consequently, the committee received regular updates of known and anticipated regulatory changes and challenged management's approach to preparing for and implementing new requirements.

Statement on internal controls

Our risk management framework is firmly embedded within our management and governance processes, and incorporates the process detailed in the diagram on page 58. This risk management framework has been in operation throughout 2015 and continues to operate up to the date of approval of this annual report. This framework is the process by which group-wide compliance with laws and regulations, the reliability of the financial reporting process (including in relation to the preparation of consolidated accounts) and the effectiveness and efficiency of operations are reviewed. The framework assists in the identification, evaluation and management of principal risks as required by the Code and is designed to manage rather than eliminate the risk of failure to achieve business objectives. The board believes the framework provides reasonable, but not absolute, assurance against material misstatement or loss.

The board provides oversight to help ensure that the group and its divisions maintain sound internal control and risk management systems. Through the risk advisory committee, it reviews the assessment of risks and the risk management frameworks.

A consistently applied method is used at divisional and group level to identify the key risks that could have a significant impact on the ability of the group to achieve its objectives. Risk owners within the divisions and the corporate office are identified and given responsibility for ensuring actions are implemented with appropriate review dates. The risk registers are reviewed by the risk advisory group and updated at least quarterly. The risk advisory committee is responsible for monitoring the key metrics identified by the divisions and the group in the management of risk and ensures in particular that customer outcomes remain central to the group's risk management programme.

The board is satisfied that the group's risk management and internal control systems, including in particular the financial reporting processes, were effective throughout 2015 and up to 23 February 2016 and continue to be so. The board does this through: (1) the risk advisory committee, which carries out a robust assessment of the principal risks facing the group and (2) the audit committee, which reviews the work of the group internal audit function and the opinion issued by the group internal audit function on risk and control effectiveness. The audit committee actively monitors the risk management and internal control systems on an ongoing basis. This annual review and ongoing monitoring confirms that the internal control and risk management systems effectively support and manage the achievement of the overall group objectives and provide suitable protection of the group's assets, reputation and sustainability. A strong risk management and control culture was identified across the group and areas where improvements could be made were identified. An action plan has been established to ensure that the systems and processes continue to evolve as the regulatory environment in which the group operates continues to change.

The board believes the process and the key elements of the internal control and risk management systems, including in particular the financial reporting processes, are in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting ('the FRC's Guidance') and the FCA's Disclosure and Transparency Rules.

The group finance function establishes the process and timetable for financial reporting and consolidation activities and identifies and approves changes to accounting and financial reporting standards.

Further insight into the group's principal risks, and the management of these can be found on pages 57 to 65 of the strategic report.

Effectiveness

The committee formally considered its effectiveness in 2015 at its meeting in January 2016. On the basis of the internal board and committee evaluation undertaken, the overall view was that it was working effectively to fulfil its responsibilities and duties and no significant actions were identified.

Risk advisory committee key items in 2015

At each meeting, the committee:

> Reviewed the key group risks.

> Reviewed and discussed the financial risk review.

> Reviewed the overall risk management status of the group.

> Reviewed the risk appetite status across the group.

> Reviewed the quarterly internal audit opinion on risk management reporting.

> Reviewed the divisional customer and conduct risk frameworks and appetite.

JAN

> Considered and accepted updated terms of reference.

> Reviewed and approved the revised group risk appetite framework, risk management framework and risk profile.

> Approved the changes to the CCD risk management framework.

> Considered the internal board and committee evaluation.

> Received a presentation on and discussed the IT risk review.

MAY

> Reviewed the ICAAP approach and methodology and recommended approval to the board.

> Requested a review be undertaken on the approach to vulnerable consumers in each division.

JUL

> Reviewed the ICAAP, including the Vanquis Bank recovery and resolution plan and agreed to recommend approval to the board.

> Discussed the output of the initial review report on Satsuma.

OCT

> Reviewed an update on divisional risk management developments.

> Reviewed the output of the vulnerable consumers review carried out by each of the divisions.

Governance

Audit committee and auditor

Annual statement by the chairman of the audit committee

I am delighted to be presenting the audit committee report to you as a separate report in accordance with the FRC's Guidance and the Financial Reporting Lab's 'Reporting of Audit Committee's Guidance', after completing a full year as the chairman of the audit committee.

This report summarises the activities of the audit committee and its key responsibilities and for the first time, confirms compliance with the Competition and Markets Authority's Statutory Services Order.

Audit committee

Members

- Alison Halsey (Chairman)
- Malcolm Le May
- Stuart Sinclair
- Rob Anderson

Attendees by invitation

- Manjit Wolstenholme
- Peter Crook
- Andrew Fisher
- Gary Thompson (Group Financial Controller)
- David Mortlock (Head of Group Internal Audit)
- Deloitte LLP (External Auditor)

Secretary

- Ken Mullen

> Through regular reporting to the board, the audit committee provides assurance on the quality and effectiveness of the group's system of internal controls and the long-term soundness of the group.
>
> **Alison Halsey**
> Audit committee chairman

Update on 2015 activities

During the year, the committee continued to monitor the integrity of the financial statements of the group including, in particular, the annual and half-yearly reports and the interim management statements.

Significant issues and areas of judgement considered by the audit committee

The following significant issues and areas of judgement were considered by the committee in relation to the 2015 Annual Report and Financial Statements:

Impairment of receivables within the Consumer Credit Division (CCD)

Receivables are impaired in CCD when the cumulative amount of two or more contractual weekly payments have been missed in the previous 12 weeks. Impairment is calculated using models which use historical payment performance to generate the estimated amount and timing of future cash flows from each arrears stage.

Judgement is applied as to the appropriate point at which receivables are impaired and whether past payment performance provides a reasonable guide as to the collectability of the current receivables book. Accordingly, this is a primary source of audit effort for the group's external auditor, Deloitte LLP (Deloitte).

In order to assess the appropriateness of the judgements applied, management produce a detailed report for both the audit committee and the external auditor setting out: (i) the assumptions underpinning the receivables valuation; and (ii) a scenario analysis comparing the receivables valuation with alternative valuations based upon various forecasts of future cash collections, including prior year performance, current performance and budget performance.

In assessing the adequacy of CCD's impairment provisions, the committee:

> Reviewed management's report and challenged management on the results and judgements used in the test;

> Considered the work performed by Deloitte on validating the data used in the testing performed by management and their challenge of the assumptions used;

> Considered the findings within the report in light of current trading performance and expected future performance; and

> Considered the work performed by the group internal audit function on information technology controls and operational controls such as cash collections, credit management and arrears management.

Impairment of receivables at Vanquis Bank and Moneybarn

Receivables are impaired in Vanquis Bank and Moneybarn when one or more contractual monthly payments have been missed. The impairment provision is calculated using models which use historical payment performance to generate the estimated amount and timing of future cash flows from each arrears stage. Management update the methodology monthly to ensure the assumptions accurately take account of the current economic environment, product mix and recent customer payment performance.

Judgement is applied on whether past payment performance is a good indication of how a customer may pay in the future.

Accordingly, this is a primary source of focus for Deloitte during the audit process.

In assessing the adequacy of Vanquis Bank's and Moneybarn's impairment provisions the committee:

> Considered the work performed by Deloitte on validating the data used and their challenge of the assumptions used by management;

> Considered the findings in light of current trading performance and expected future performance;

> Considered the work performed by the group internal audit function on information technology controls and operational controls such as cash collections, credit management and arrears management; and

> Considered the review performed by the Vanquis Bank audit committee on the Vanquis Bank impairment provisions.

Retirement benefit asset

The valuation of the retirement benefit asset is dependent upon a series of assumptions. The key assumptions are the discount rate, inflation rates and mortality rates used to calculate the present value of future liabilities.

Judgement is applied in formulating each of the assumptions used in calculating the retirement benefit asset. The company's external actuary, Willis Towers Watson, propose the appropriate assumptions and calculate the value of the retirement benefit asset. The committee considered the work performed by Deloitte on the valuation and their views on the suitable ranges of assumptions based on their experience.

Annual impairment review of goodwill

In accordance with IFRS 3 'Business Combinations', the goodwill of £71.2m arising on acquisition of Moneybarn in August 2014 is subject to an annual impairment review. The impairment review is conducted by comparing the discounted estimated future cash flows of Moneybarn with the carrying value of goodwill in the financial statements.

Management apply judgement in: (i) deriving the forecast cash flows of Moneybarn; and (ii) establishing the appropriate discount rate to apply to the forecast cash flows.

In assessing the reasonableness of the impairment review of goodwill, the committee considered a detailed paper produced by management on the methodology adopted. In addition, the committee also considered the work performed by Deloitte and their views on the appropriateness of the assumptions used by management.

Taxation

The group provides for tax liabilities based on an assessment of the probability of such liabilities falling due. Judgement is applied to determine the quantum of such liabilities and the probability of them occurring. The committee considers management's assessment of the likelihood and quantum of any potential liability and the views and work performed by Deloitte in considering the reasonableness of the assessment carried out.

Fair, balanced and understandable

A specific area of focus, discussion and oversight for the committee throughout 2015 has been the requirement to provide the board with an assurance that the content of the Annual Report and Financial Statements 2015, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the group's position and performance, business model and strategy.

In justifying this statement the committee considered the robust process which operated in creating the Annual Report and Financial Statements in 2015 including:

> The full and effective assessments by the divisions of any customer and conduct risks and the oversight of this by the risk advisory committee;

> The early involvement of the committee in the preparation of the Annual Report and Financial Statements which enabled it to provide input into the overall messages and tone;

> The input provided by divisional and group senior management and the process of review, evaluation and verification to ensure balance, accuracy and consistency;

> The reviews conducted by external advisors appointed to advise on best practice;

> The regular review of the group internal audit activity reports which are presented at committee meetings and the opportunity to meet the external auditor without the executive directors or members of the senior management team being present;

> The meetings of the committee held to review and consider the draft Annual Report and Financial Statements in advance of the final sign-off; and

> The final sign-off process by the board of directors.

This assessment was underpinned by the following:

> The key judgement papers prepared by management covering the impairment of receivables in CCD, the annual impairment review of goodwill and going concern which were carefully reviewed and challenged by the committee with the assistance of the external auditor who also fully analysed the papers as part of the year-end process;

> Comprehensive guidance issued to all contributors involved in the preparation of the Annual Report and Financial Statements at all levels;

> The fact that the risks reflect the issues which are of concern to the committee;

> A verification process dealing with the factual content of various aspects of the Annual Report and Financial Statements;

> The comprehensive reviews undertaken at different levels in the group that aim to ensure consistency and overall balance; and

> The comprehensive review by the senior management team.

Internal audit

The group operates an in-house group internal audit function which is managed by the Head of Group Internal Audit with specialist services provided by third-party consultants where necessary. The group internal audit function also reports to the committee which helps to ensure the function's independence from group management. The committee reviews regular reports on the activity of this function and I also meet separately with the Head of Group Internal Audit on a quarterly basis.

In 2015, a strategic review of the internal audit resource across the group was undertaken and it was agreed to create a group internal audit function that would encompass all divisions within the group and therefore provide a more consistent and balanced overview of the group to the committee.

Audit committee and auditor (continued)

External auditor

The committee considers the reappointment of the external auditor, including the rotation of the audit partner, annually. This includes an assessment of the independence of the external auditor and an assessment of the performance in the previous year. This is achieved primarily through a questionnaire and scorecard which is completed by key stakeholders involved in the annual and half-yearly audit process, including the heads of finance in each of the divisions. The scores and results of the questionnaire are collated and shared with the external auditor and an action plan to address any areas of concern identified is agreed.

The external auditor is required to rotate the audit partner responsible for the group audit every five years. The current lead audit partner has been in place for four years. The group carried out a rigorous audit tender in June 2012 and as a result of the tender, Deloitte were appointed as the group's external auditor.

The committee will continue to assess the performance of the external auditor on an ongoing basis to ensure that it is satisfied with the quality of the services provided. As part of that process, it has agreed to recommend to the board the reappointment of Deloitte as auditor and a resolution to this effect will be proposed at the 2016 AGM.

In accordance with the Code, the external audit contract will be put out to tender at least every 10 years.

In accordance with best practice and guidance issued by the FRC, the committee will continue to review the qualification, expertise, resources and independence of the external auditor and the effectiveness of the audit process during the next financial year.

The committee has adopted a policy on the appointment of staff from the external auditor to positions within the various group finance departments. It grades appointments into four categories and sets out the approvals required. Neither a partner of the audit firm who has acted as engagement partner, the quality review partner, other key audit partners or partners in the chain of command, nor a senior member of the audit engagement team, may be employed as group Finance Director, group Financial Controller or a divisional finance director.

At each of its meetings, the committee has a separate session with the external auditor without any executive director or employee of the group being present. This gives members of the committee the opportunity to raise any issues, including any issues on the interim and final results of the group, directly with the external auditor.

Non-audit work

The company has a formal policy on the use of the external auditor for non-audit work. This policy is reviewed annually by the committee.

The award of non-audit work to the external auditor is managed in order to ensure that the external auditor is able to conduct an independent audit and is perceived to be independent by the group's shareholders and other stakeholders.

The performance of non-audit work by the external auditor is monitored and work is awarded only when, by virtue of their knowledge, skills or experience, the external auditor is clearly to be preferred over alternative suppliers.

The group maintains an active relationship with at least three other professional advisors. The nature and cost of all non-audit work awarded to the group's external auditor for the period since the last meeting and for the year to date is reported at each meeting of the committee, together with an explanation as to why the external auditor was the preferred supplier.

No information technology, remuneration, recruitment, valuation or general consultancy work may be awarded to the external auditor without my prior written approval and such approval is only given in exceptional

Composition of the committee

The other members of the committee during 2015, Rob Anderson, Malcolm Le May and Stuart Sinclair, all have a wide range of business and financial experience which is evidenced by their biographical summaries on pages 88 and 89. Both Malcolm and I have considerable recent and relevant business and financial experience as evidenced by our biographical details which are also set out on these pages.

The role of the committee

General

The primary function of the committee is to assist the board in fulfilling its oversight responsibilities by monitoring the integrity of the financial statements of the group and other financial information before publication and reviewing the significant financial reporting judgements contained in them. In addition, the committee also reviews:

> The systems of internal financial, operational and compliance controls on a continuing basis, and the arrangements and procedures in place to deal with whistleblowing, fraud and bribery; and

> The accounting and financial reporting processes, along with the roles and effectiveness of both the group internal audit function and the external auditor.

The ultimate responsibility for reviewing and approving the Annual Report and Financial Statements remains with the board.

Specific

The committee is also specifically responsible for:

> All matters relating to the appointment and reappointment of the external auditor, including the audit engagement partner, and recommending to the board all external auditor appointments and reappointments;

> The external auditor's remuneration and the policy on the supply of non-audit services to the company by the external auditor;

> Initiation and oversight of any tender process in relation to the appointment of an external auditor;

> Negotiation of the scope and fee for the audit;

> Assisting the board in assessing the company's ongoing viability, the basis of the assessment and the period of time covered;

> Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process;

> Approving the group internal audit plan annually;

> Keeping under review the effectiveness of the group's systems of internal control and risk management by considering group internal audit activity reports at each meeting and reporting to the board on a regular basis. The committee also reviewed and approved the statement set out on pages 100 and 101 concerning internal controls and risk management; and

> Reviewing and approving the register of benefits offered to directors in accordance with the company's code of practice on benefits.

circumstances. I am required to approve in advance any single award of non-audit work with an aggregate cost of £250,000 or more. The external auditor may not perform internal audit work. External specialist resource for the group internal audit function is provided by KPMG LLP.

Where Deloitte has been used in 2015 for non-audit work under the terms of this policy, prior approval was obtained from the committee. On each occasion the committee sought confirmation that Deloitte's objectivity and independence would be safeguarded. A paper requesting approval was presented to the committee which set out details of Deloitte's internal controls which have been designed to ensure independence and objectivity and a confirmation that Deloitte had the knowledge, skills and experience to carry out the work in preference to any other supplier.

During the year, the committee regularly considered a schedule of audit and non-audit work carried out by Deloitte. This fell broadly into four categories: fees payable for the audit of the parent company and consolidated financial statements; audit of the company's subsidiaries pursuant to legislation; other services pursuant to legislation; and tax services.

Fees paid to Deloitte for non-audit work during the year amounted to £438,000 (2014: £823,000) comprising £65,000 for the group interim review, £46,000 for the review of profits for regulatory reporting purposes, £243,000 for other projects, £70,000 for advice on retail bonds and £14,000 for agreed upon procedures work throughout the year.

Effectiveness

The committee formally considered its performance and effectiveness in 2015. This was undertaken as part of the internal board and committee evaluation process. Each director was able to comment and rate various aspects of the committee's role by responding to a series of questions relating to the performance of the committee contained in the internal questionnaire. On the basis of the evaluation undertaken, the overall view was that the committee was operating efficiently and effectively and no actions were identified.

I will be available at the AGM in May 2016 to answer questions on the work of the committee.

Alison Halsey
Audit committee chairman
23 February 2016

Audit committee key items in 2015

FEB

- **Annual Report and Financial Statements**
  - Review of the CCD receivables valuation carried out by management.
  - Review and approval of the going concern paper which confirmed it was appropriate to prepare the Annual Report and Financial Statements for the year ended 31 December 2014 on a going concern basis.
  - Review of the calculation of goodwill and intangible assets on the acquisition of Moneybarn.
  - Review of full year results and the form and content of the draft Annual Report and Financial Statements.
  - Discussion with the external auditor without any executive director or employee being present.
  - Review of the preliminary results for the year ended 31 December 2014.
  - Review of the statement on internal controls.
- Recommendation to the board regarding reappointment of the external auditor.
- Review of:
  - The internal audit activity report;
  - A paper confirming the independence of the external auditor;
  - A schedule of audit and non-audit fees paid to the external auditor for the financial year;
  - A fraud report for the three month period ended 31 December 2014;
  - An external report on the group wide internal audit function; and
  - The annual opinion on risk management and internal control effectiveness prepared by the group internal audit function.

JUL

- **Review of Interim Results**
  - Review of CCD receivables valuation.
  - Review of interim results.
  - Review and approval of the going concern paper which confirmed it was appropriate to prepare the interim results for the six months ended 30 June 2015 on a going concern basis.
  - Review of the report from the external auditor.
  - Review of the interim results announcement.
  - Discussion with the external auditor without any executive director or employee being present.
- Review of:
  - An external report on the group internal audit function and associated actions including a review of the status of the transition of the Vanquis Bank internal audit function to the group internal audit function;
  - The internal audit activity report;
  - The effectiveness of the external auditor; and
  - A schedule of fees paid to the external auditor.
- Review and approval of a contract between the company and Vanquis Bank for the provision of internal audit services by the group internal audit function.

OCT

- Review of:
  - The external auditor's planning report for the forthcoming year end;
  - A schedule of fees paid to the external auditor; and
  - The internal audit activity report.
- Discussion with the external auditor without any executive director or employee being present.
- Review and approval of the 2016 internal audit plan.

DEC

- Review of:
  - The internal audit activity report;
  - The annual report on external whistleblowing activity;
  - The register of benefits received by directors;
  - The committee's performance and effectiveness; and
  - The report from the Vanquis Bank audit committee chairman.
- Review and approval of the updated terms of reference for the committee.
- Review and approval in principle of the group internal audit charter.
- Update on the proposed themes for the 2015 Annual Report and Financial Statements.
- Consideration of the audit update report from the external auditor.
- Meeting with the external auditor without any executive director or employee being present.

Governance

Nomination committee

All the non-executive directors are members of the nomination committee which is chaired by Manjit Wolstenholme, the Chairman. The Chief Executive attends all meetings by invitation. The committee meets at least once a year. The committee intends to continue the development of its succession planning processes which, following the group talent review carried out in 2015, will be extended to include the creation of personal development plans by the divisions and the corporate office for certain high potential individuals identified during the process.

Nomination committee

Members

Manjit Wolstenholme (Chairman)

Alison Halsey

Malcolm Le May

Rob Anderson

Stuart Sinclair

Attendees by invitation

Peter Crook

Secretary

Ken Mullen

"The nomination committee analyses the role and responsibilities of the board members and the knowledge, experience and competence which the role requires. The committee strives to ensure the board is not dominated by any one individual or group of individuals."

Manjit Wolstenholme
Chairman

Role and responsibilities

- Regularly reviews the structure, size and composition (including skills, knowledge, experience and diversity) of the board, and makes recommendations to the board for any changes to its composition to ensure it remains appropriately refreshed;
- Fully considers the succession planning requirements for directors and the senior management team to ensure that succession is managed smoothly and effectively;
- Keeps under review the leadership needs of the group, with a view to ensuring it remains competitive in the marketplace;
- Identifies and nominates to the board candidates who are assessed as having sufficient time to devote to their prospective responsibilities to fill board vacancies;
- Evaluation of the balance of skills, knowledge, experience and diversity on the board before any appointments are made and the preparation of a description of the role and the capabilities required for a particular appointment. The committee considers candidates on merit and against objective criteria with due regard to the benefits of diversity, including gender; and
- Reviews and considers the performance and effectiveness of the committee through the results of the board and committee performance evaluation process.

Nomination committee key items in 2015

- Reviewed the group senior management succession plan and talent review prepared by the Chief Executive;
- Recommended to the board the reappointment of Rob Anderson and Stuart Sinclair as non-executive directors of the board; and
- Requested that the Chief Executive ensure that each division and the corporate office prepare a personal development plan for those individuals identified as high potential individuals through the group talent review.

Diversity

The group recognises the importance of diversity, including gender diversity, at all levels of the group, as well as at board level. The group believes that diversity amongst directors helps contribute towards a high performing and effective board. The board strives to recruit directors from different backgrounds, with diverse experience, perspectives, personalities, skills and knowledge and uses the nomination committee to ensure this is achieved. In the case of non-executive directors, the selection process is designed to ensure there is independence of mind given the specific responsibilities of the non-executive directors on the board. For more information about the board's composition, see page 92.

The nomination committee and the group as a whole is committed to increasing diversity across all the group operations and supporting the development and promotion of talented individuals, regardless of gender, nationality or ethnic background. The board has been supportive of the recommendations contained in Lord Davies' report 'Women on Boards' for female board representation to increase to 25% by the end of 2015 and I am pleased to report the board has had 29% female representation since 2014.

We remain committed to at least maintaining this level of female representation in the medium term, whilst ensuring that diversity in its broadest sense remains a key feature of the board. The board also notes the challenge in Lord Davies' final report to aspire to 33% female representation on the board by 2020. The nomination committee will, however, continue to recommend appointments to the board based on merit. The board remains committed to strengthening the pipeline of senior female executives within the group and is satisfied that there are no barriers to women succeeding at the highest levels within the group.

We have previously reported that the group was also committed to achieving a target of 25% women within the wider senior management population by 2015 and we are pleased to report that as at 31 December 2015, 30% of the group's senior management are female.

Last year we reported that despite the progress that has been made, the committee was conscious that the divisional boards were considerably lacking in female representation. The committee looked at this over the course of 2015 and will continue to review this in 2016.

In support of our policy on diversity, we will continue to operate in accordance with the following principles and initiatives that promote gender and other forms of diversity amongst the board and senior management:

> We will consider candidates for appointment as non-executive directors from a wider pool, including those with little or no listed company board experience;

> We will only engage executive search firms who have signed up to the voluntary Code of Conduct on gender diversity and best practice; and

> We will ensure the topic of diversity is raised during every board evaluation process.

Succession planning

As discussed above, the group remains committed to maintaining and improving, where necessary, its level of female representation, whilst ensuring that the right knowledge, skills and experience are being sought. The committee intends to support the group's diversity policy within its succession planning activities by continuing to ensure that the levels of female representation within the senior management teams across the group is maintained and, where possible, improved during the course of 2016.

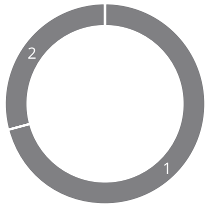
The nomination committee will continue its work of ensuring there are appropriate succession plans in place across the group and a suitable mix of skills and experience amongst both the executive and non-executive directors. The committee keeps under review a detailed succession plan for the executive directors, the Chairman and the persons discharging managerial responsibility. Below board level, succession planning within the divisions safeguards the pipeline of talented individuals within the group who are capable and have the potential to succeed the executive directors and other members of the senior management team in the short, medium and long term. The committee also monitors candidates externally to ensure that the board is continuously refreshed and strengthened in any areas of perceived weakness.

With a greater emphasis on developing internal candidates, the Chief Executive prepared a report on the talent within the group following the acquisition of Moneybarn which was reviewed by the board in February and May 2015 and also by the committee in May 2015. The report identified the potential successors for senior management positions (taking into account the group's policy on diversity), the talent pool across the group and areas where external recruitment may be required. The Chief Executive is in the process of arranging for the divisions and the corporate office to prepare personal development plans for the high potential individuals who have been identified through the process for review by the committee in 2016.

Board composition

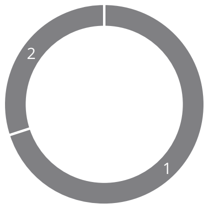
The board

1 Male	71%
2 Female	29%



Overall senior management

1 Male	70%
2 Female	30%



As the board continues to work towards securing FCA authorisation for each division, the committee will ensure that the board composition retains an appropriately balanced range of skills, experience and technical ability so that the group is well placed to achieve its objectives and long-term strategy in the new regulatory environment.

Policy on board appointments

The board's policy on other directorships is designed to ensure that all directors remain able to discharge their responsibilities to the company.

The letters of appointment of the non-executive directors state that any proposed appointment to the board of another company will require the prior approval of the board. The company's policy is that a non-executive director should have sufficient time to fulfil his/her duties to the company, including, where appropriate, chairing a committee.

The board will consider all requests for permission to accept other directorships carefully, subject to the following principles:

> A non-executive director would not be expected to hold more than four other material non-executive directorships; and

> If a non-executive director holds an executive role in a FTSE 350 company, they would not be expected to hold more than two other material non-executive directorships.

In line with the Code, an executive director will be permitted to hold one non-executive directorship in a FTSE 100 company (and to retain the fees from that appointment) provided that the board considers that this will not adversely affect their executive responsibilities to the company. The board would not permit an executive director to take on the chairmanship of a FTSE 100 company. Any request for an exception to this policy is considered on its merits and determined by the board.

Effectiveness

At its meeting in February 2016 the committee formally considered its effectiveness in 2015, and on the basis of the internal board and committee evaluation which was undertaken, the overall view was that the committee was working effectively and had made good progress in developing a succession plan which included the identification of high potential individuals through the group talent review.

Manjit Wolstenholme
Nomination committee chairman
23 February 2016

Governance

Directors' report

Introduction

In accordance with section 415 of the Companies Act 2006, the directors present their report for the year ended 31 December 2015. The following provisions, which the directors are required to report on in the Directors' Report, have been included in the strategic report:

- Future business developments (throughout the strategic report, in particular on pages 22 to 56);
- Greenhouse gas emissions (page 85);
- Risk management (pages 57 to 65).

Both the strategic report and the Directors' Report have been prepared and presented in accordance with, and in reliance upon, applicable English company law. The liabilities of the directors in connection with both the Directors' Report and the strategic report shall be subject to the limitations and restrictions provided by such law. Other information to be disclosed in the Directors' Report is given in this section.

Directors

The membership of the board and biographical details of the directors are given on pages 88 and 89 and are incorporated into this report by reference.

All directors served throughout 2015 and up to the date of signing of the Annual Report and Financial Statements. There were no changes in directors in 2015.

During the year, no director had a material interest in any contract of significance to which the company or a subsidiary undertaking was a party.

Appointment and replacement of directors

Rules about the appointment and replacement of directors are set out in the company's Articles. In accordance with the recommendations of the Code, all directors will offer themselves for reappointment at the 2016 AGM. The directors' powers are conferred on them by UK legislation and by the Articles. Changes to the Articles must be approved by shareholders passing a special resolution and must comply with the provisions of the Companies Act 2006 and the FCA's Disclosure and Transparency Rules.

Directors' indemnities

The company's Articles permit it to indemnify directors of the company (or of any associated company) in accordance with section 234 of the Companies Act 2006.

The company may fund expenditure incurred by directors in defending proceedings against them.

If such funding is by means of a loan, the director must repay the loan to the company if they are convicted in any criminal proceedings or judgment is given against them in any civil proceedings. The company may indemnify any director of the company or of any associated company against any liability.

However, the company may not provide an indemnity against: (i) any liability incurred by the director to the company or to any associated company; (ii) any liability incurred by the director to pay a criminal or regulatory penalty; (iii) any liability incurred by the director in defending criminal proceedings in which they are convicted; (iv) any liability incurred by the directors in defending any civil proceedings brought by the company (or an associated company) in which judgment is given against them; or (v) in connection with certain court applications under the Companies Act 2006. No indemnity was provided and no payments pursuant to these provisions were made in 2015 or at any time up to 23 February 2016.

There were no other qualifying indemnities in place during this period.

The company maintains Directors' and Officers' Liability insurance which gives appropriate cover for any legal action brought against its directors.

Information required by Listing Rule 9.8.4R

Share capital

During the year, the ordinary share capital in issue increased by 760,488 shares to 147,173,935 shares at 31 December 2015. Details are set out in note 25 to the financial statements.

The company's issued ordinary share capital comprises a single class of ordinary share. The rights attached to the ordinary shares are set out in the Articles. Each share carries the right to one vote at general meetings of the company.

During the year, 760,488 ordinary shares in the company with an aggregate nominal value of £157,628, were issued as follows:

- 323,218 shares in relation to the Provident Financial Long Term Incentive Scheme 2006 at a price of 2,726p;
- 180,860 shares in relation to the Provident Financial Performance Share Plan (2013) at a price of 2,726p; and
- 256,410 shares in relation to the employee share option schemes at prices ranging between 656p and 1,644p.

Rights of ordinary shares

All of the company's issued ordinary shares are fully paid up and rank equally in all respects and there are no special rights with regard to control of the company. The rights attached to them, in addition to those conferred on their holders by law, are set out in the Articles. There are no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them, except:

(1) where the company has exercised its right to suspend their voting rights or to prohibit their transfer following the omission by their holder or any person interested in them to provide the company with information requested by it in accordance with Part 22 of the Companies Act 2006; or

(2) where their holder is precluded from exercising voting rights by the FCA's Listing Rules or the City Code on Takeovers and Mergers.

Substantial shareholdings

In accordance with the Disclosure and Transparency Rules DTR 5 the company, as at 19 February 2016 (being the latest practicable date before publication of this report), has been notified of the following disclosable interests in its issued ordinary shares:

Invesco Limited	15.17%
Woodford Investment Management Limited (UK)	9.55%
BlackRock Investment Management Limited	7.27%
M&G Investment Management Limited (UK)	5.29%
Marathon Asset Management (UK)	4.90%

Interests as at 31 December 2015 were as follows:

Invesco Limited	14.83%
Woodford Investment Management Limited (UK)	8.73%
BlackRock Investment Management Limited	6.97%
M&G Investment Management Limited (UK)	5.04%
Marathon Asset Management (UK)	4.84%

Note: all interests disclosed to the company in accordance with DTR 5 that have occurred since 19 February 2016 can be found on the group's website: www.providentfinancial.com

Directors' interests in shares

The beneficial interests of the directors in the issued share capital of the company were as follows:

	Number of shares	
	31 December 2015	31 December 2014
Peter Crook[1]	**532,374**	629,669
Andrew Fisher[1]	**346,677**	411,870
Rob Anderson	**4,178**	4,047
Manjit Wolstenholme	**5,663**	5,663
Malcolm Le May	**–**	–
Stuart Sinclair	**–**	–
Alison Halsey	**–**	–

1 These interests include conditional share awards granted under the LTIS, awards under the 2013 PSP and shares purchased under the SIP as detailed on pages 127 to 131 of the Annual Report on Remuneration.

No director had any non-beneficial interests at 31 December 2015 or at any time up to 23 February 2016.

There were no changes in the beneficial or non-beneficial interests of the directors between 1 January 2016 and 23 February 2016, except for the automatic monthly purchases under the SIP.

Dividend waiver

Information on dividend waivers currently in place can be found on pages 127 and 128.

Powers of the directors

Subject to the Articles, UK legislation and any directions given by special resolution, the business of the company is managed by the board. The directors currently have powers both in relation to the issuing and buying back of the company's shares, which were granted by shareholders at the 2015 AGM. The board is seeking renewal of these powers at the 2016 AGM.

All employee share schemes

The current schemes for employees resident in the UK are the Provident Financial plc Employee Savings-Related Share Option Scheme 2003, the Provident Financial Savings Related Share Option Scheme 2013 and the Provident Financial Share Incentive Plan (SIP).

In 2015 we launched a new savings-related share option scheme for employees resident in the Republic of Ireland; the Provident Financial Irish Savings Related Share Option Scheme 2014.

Share schemes are a long-established and successful part of the total reward package offered by the company, encouraging and supporting employee share ownership. The company operates three savings-related share option schemes aimed at encouraging employees' involvement and interest in the financial performance and success of the group through share ownership.

Around 1,093 employees were participating in the company's save as you earn schemes as at 31 December 2015 (2014: 1,246).

The company's SIP offers employees the opportunity to further invest in the company and to benefit from the company's offer to match that investment on the basis of one share for every four shares purchased. 283 employees were investing in company shares under the SIP as at 31 December 2015 (2014: 285).

Executive share incentive schemes

Options are outstanding under the Provident Financial Executive Share Option Scheme 2006 (the ESOS). Awards are also outstanding under the Provident Financial Long Term Incentive Scheme 2006 (the LTIS) and the Provident Financial Performance Share Plan (2013) (the 2013 PSP).

As set out on page 126 of the directors' remuneration report, the remuneration committee did not grant any options during the year under either the ESOS or the LTIS.

Provident Financial plc 2007 Employee Benefit Trust (the EBT)

The EBT, a discretionary trust for the benefit of executive directors and employees, was established in 2007. The trustee, Kleinwort Benson (Jersey) Trustees Limited, is not a subsidiary of the company. The EBT operates in conjunction with the LTIS and the 2013 PSP and either purchases shares in the market or subscribes for the issue of new shares. The number of shares held by the EBT at any time, when added to the number of shares held by any other trust established by the company for the benefit of employees, will not exceed 5% of the issued share capital of the company. The EBT is funded by loans from the company which are then used to acquire, either via market purchase or subscription, ordinary shares to satisfy conditional share awards granted under the LTIS and awards granted under the 2013 PSP. For the purpose of the financial statements, the EBT is consolidated into the company and group. As a consequence, the loans are eliminated and the cost of the shares acquired is deducted from equity as set out in note 27 on page 183 of the financial statements.

In relation to its operation in conjunction with the LTIS, the EBT transfers the beneficial interest in the shares to the executive directors and employees when conditional share awards are made, and the legal interest is only transferred on vesting. In relation to the 2013 PSP, the legal and beneficial interest in the Basic Award is transferred to the executive directors and other participants when the awards are made but is subject to certain forfeiture conditions. However, only the beneficial interest in the Matching Award is transferred when the award is made and the legal interest is transferred to the participant on the vesting of the Matching Award. Full vesting of awards granted under the LTIS and the Matching Award granted under the 2013 PSP is subject to the achievement of the performance targets set out on page 123 of the directors' remuneration report.

In February 2015, the EBT subscribed for the issue of 323,218 new shares in order to satisfy the awards made under the LTIS and 180,860 shares in order to satisfy the awards made under the 2013 PSP.

Governance

Directors' report (continued)

As at 31 December 2015, the EBT held the non-beneficial interest in 2,556,478 shares in the company (2014: 2,535,307). The EBT may exercise or refrain from exercising any voting rights in its absolute discretion and is not obliged to exercise such voting rights in a manner requested by the employee beneficiaries.

Provident Financial Employee Benefit Trust (the PF Trust)

The PF Trust, a discretionary trust for the benefit of executive directors and employees, was established in 2003 and operated in conjunction with the PSP. The trustee, Provident Financial Trustees (Performance Share Plan) Limited, is a subsidiary of the company. The number of shares held by the PF Trust at any time, when added to the number of shares held by any other trust established by the company for the benefit of employees, will not exceed 5% of the issued share capital of the company. As at 31 December 2015, the PF Trust had no interest in any shares in the company (2014: nil).

The PF Trust has previously subscribed for shares for the purpose of satisfying awards granted under the PSP. When the PF Trust subscribed for shares, it was funded by loans from the company which were then used to acquire ordinary shares for the purposes of satisfying awards granted under the PSP. For the purposes of the financial statements, the PF Trust is consolidated into the company and group. As a consequence, any loans are eliminated and the cost of any shares acquired is deducted from equity. As the PSP expired in July 2012, no further awards under the PSP and no further loans to the PF Trust have been made since then.

The PF Trust operated in conjunction with the PSP and the legal and beneficial interest in the Basic Award and the Matching Award was transferred from the PF Trust to executive directors and employees when awards were made but was subject to certain forfeiture provisions. In addition, full vesting of the Matching Award was subject to the achievement of the performance targets set out on page 129 of the directors' remuneration report.

The Provident BAYE Trust (the BAYE Trust) is a discretionary trust which was established on 9 May 2013 to operate in conjunction with the SIP. The trustee, YBS Trustees, is not a subsidiary of the company. The BAYE Trust is funded by loans from the company which are then used to acquire ordinary shares via market purchase to satisfy the matching awards to participants of the SIP.

For the purposes of the financial statements, the BAYE Trust is consolidated into the company and group. Participants in the SIP can direct the trustee on how to exercise its voting rights in respect of the shares it holds on behalf of the participant, As at 31 December 2015, the BAYE Trust held the non-beneficial interest in 28,499 shares.

Profit and dividends

The profit, before taxation, amortisation of acquisition intangibles and exceptional costs, amounts to £292.9m (2014: £234.4m). The directors have declared dividends as follows:

Ordinary shares	(p) per share
Paid interim dividend	39.2p per share (2014: 34.1p per share)
Proposed final dividend	80.9p per share (2014: 63.9p per share)
Total ordinary dividend	120.1p per share (2014: 98.0p per share)

The final dividend will be paid on 24 June 2016 to shareholders whose names are on the register of members at the close of business on 20 May 2016.

Pensions

The group operates three pension schemes. Employee involvement in the group defined benefit pension scheme is achieved by the appointment of member-nominated trustees and by regular newsletters and communications from the trustees to members. In addition, there is a website dedicated to pension matters. The trustees manage the assets of the defined benefit pension scheme which are held under trust separately from the assets of the group. Each trustee is encouraged to undertake training and regular training sessions on current issues are carried out at meetings of the trustees by the trustees' advisors. The training schedule is based on The Pension Regulator's Trustee Knowledge and Understanding requirements and the sessions are tailored to current issues, emerging issues or to address any skill gaps. The trustees have a business plan and, at the start of each year, review performance against the plan and objectives from the previous year. In addition, they agree objectives and a budget for the current year. The trustees have a risk register and an associated action plan and a conflicts of interest policy, both of which are reviewed at least annually.

In 2015, the trustees implemented a new investment strategy which had been agreed with the company. The objective of the new strategy was to reduce the risk that the assets would be insufficient in the future to meet the liabilities of the scheme. The de-risking investment strategy is kept under close review by both the trustees and the company.

In January 2014, three new member-nominated trustees were appointed, bringing the total to four. In addition, there are currently two trustees appointed by the company.

The group also operates a group personal pension plan for employees who joined the group from 1 January 2003. Employees in this plan have access to dedicated websites which provide information on their funds and general information about the plan.

In October 2013, the group auto-enrolled all eligible staff into a new scheme designed for auto-enrolment.

In 2011, the company established an Unfunded Unapproved Retirement Benefits Scheme (UURBS), for the benefit of those employees who are affected by the HMRC annual allowance and lifetime allowance which applies to members of registered pension schemes. The UURBS offers an alternative to a cash payment in lieu of a pension benefit.

Health and safety

Health and safety standards and benchmarks have been established in the divisions and compliance by the divisions is monitored by the board.

Anti-bribery and corruption

The corporate policies reflect the requirements of the Bribery Act 2010 and a corporate hospitality register is maintained using a risk-based approach. Although the risks for the group arising from the Bribery Act 2010 continue to be assessed as low, the divisions are, nevertheless, required to undergo appropriate training and instruction to ensure that they have effective anti-bribery and corruption policies and procedures in place. Compliance is regularly monitored by the risk advisory committee and is subject to periodic review by the group internal audit function.

Overseas branches

The group has overseas branches in the Republic of Ireland.

Important events since the end of the financial year (31 December 2015)

There have been no important events since the end of the financial year.

Corporate governance statement

The group's corporate governance report is set out on pages 86 to 112. The group has complied with the provisions of the Code throughout 2015.

Financial instruments

Details of the financial risk management objectives and policies of the group and the exposure of the group to credit risk, liquidity risk, interest rate risk and foreign exchange rate risk are included on pages 145 to 149 of the financial statements.

Significant agreements

There are no agreements between any group company and any of its employees or any director of any group company which provide for compensation to be paid to an employee or a director for termination of employment or for loss of office as a consequence of a takeover of the company.

Directors' responsibilities in relation to the financial statements

The following statement, which should be read in conjunction with the independent auditor's report on pages 188 to 193 is made to distinguish for shareholders the respective responsibilities of the directors and of the auditor in relation to the financial statements.

The directors are responsible for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable laws and regulations.

The Companies Act 2006 requires the directors to prepare financial statements for each financial year. Under this Act, the directors have prepared the group and company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under this Act, 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 group and company and of the profit or loss of the group and company for that period.

In preparing these financial statements, the directors have:

> Selected suitable accounting policies and applied them consistently;

> Made judgements and accounting estimates that are reasonable and prudent;

Employee involvement

The group is committed to employee involvement in each of its divisions. Employees are kept well informed of the financial and operational performance and strategy of the divisions through weekly huddles or monthly 'town hall' style meetings, personal briefings and through an increasing use of modern technology. The divisions now use social network sites, intranet discussion boards and blogs by employees and managing directors. In addition, Vanquis Bank upgraded its sharepoint technology during 2015 to provide employees with access to a range of communications at both a departmental and organisational level.

The group consults with employees regularly, including through employee forums, trade unions and employee surveys, so that their views can be taken into account when making decisions that are likely to affect their interests. CCD plans to relaunch its colleague forum in 2016 with an improved platform which will enable more views and opinions to be heard. They also plan to work with leaders in the business to improve the communication of decisions that create long-term growth for CCD and support the delivery of the division's strategic priorities.

The group also provides a wellbeing programme designed to promote physical and mental health within each division. Both Moneybarn and CCD have a gym in their head office facility. Vanquis Bank rolled out its wellbeing campaign throughout 2015 which focused on a different wellbeing aspect each month. There was a high take-up rate and given the success of the campaign, the wellbeing programme is being further expanded in 2016 and will include the launch of a cycle to work scheme.

The group also has a number of community programmes in place. Further detail of this is set out on pages 80 to 85 of the strategic report.

Employees are also able to share in the group's results through various share schemes as set out on page 109 of this report.

Training

The group is fully committed to encouraging employees at all levels to study for relevant educational qualifications and to the improvement in skills through training. In particular, the group has initiated a series of talent and development initiatives as part of its investment in the career progression of its employees.

Provident Financial plc is authorised by the Solicitors Regulation Authority and the Institute of Chartered Accountants of England and Wales to issue training contracts to employees wishing to qualify as solicitors or chartered accountants, respectively.

Equal opportunities

The group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of gender, pregnancy, race, colour, nationality, ethnic or national origin, disability, sexual orientation, age, marital or civil partner status, gender reassignment or religion or belief. The group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group including making reasonable adjustments where required. If members of staff become disabled, every effort is made by the group to ensure their continued employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Directors' report (continued)

- Complied with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- Prepared the financial statements on a going concern basis of accounting.

The directors have also considered the review undertaken and the report provided by the audit committee and are satisfied that the Annual Report and Financial Statements 2015, taken as a whole, are fair, balanced and understandable and provide the necessary information for shareholders to assess the company's position and performance, business model and strategy. The directors have accepted the audit committee report on the basis of the review undertaken by it as set out on page 103 of the report.

The directors are also required by the FCA's Disclosure and Transparency Rules (DTR) to include a management report containing a fair review of the business of the group and the company and a description of the principal risks and uncertainties facing the group and company.

The Directors' Report and the strategic report constitute the management report for the purposes of DTR 4.1.5R and DTR 4.1.8R.

The directors are responsible for keeping proper accounting records that are sufficient to:

- Show and explain the company's transactions;
- Disclose with reasonable accuracy at any time the financial position of the company and group; and
- Enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report and Financial Statements 2015 will be published on the group's website in addition to the normal paper version. The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

Each of the directors listed below, confirms that, to the best of their knowledge, the group financial statements which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the group, the company and the undertakings included in the consolidation taken as a whole, and that the strategic report contained in this Annual Report and Financial Statements 2015 includes a fair review of the development and performance of the business and the position of the company and group, and the undertakings included in the consolidation taken as a whole, and a description of the principal risks and uncertainties it faces.

Manjit Wolstenholme	Chairman
Malcolm Le May	Senior Independent Director
Alison Halsey	Non-executive director
Stuart Sinclair	Non-executive director
Rob Anderson	Non-executive director
Peter Crook	Chief Executive
Andrew Fisher	Finance Director

Disclosure of information to auditor

In accordance with section 418 of the Companies Act 2006, each person who is a director as at the date of this report confirms that:

- So far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- They have taken all steps that ought to have been 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.

Auditor

Deloitte, the auditor for the company, was appointed in 2012 and a resolution proposing their reappointment will be proposed at the forthcoming Annual General Meeting (AGM).

AGM

The AGM will be held at 10.00 am on 5 May 2016 at the offices of Provident Financial plc, No. 1 Godwin Street, Bradford, West Yorkshire, BD1 2SU. The Notice of Meeting, together with an explanation of the items of business, is contained in the circular to shareholders dated 1 April 2016.

Approved by the board on 23 February 2016 and signed by order of the board.

Kenneth J Mullen
General Counsel and Company Secretary

DIRECTORS' REMUNERATION REPORT

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Directors' remuneration report

This report sets out details of the remuneration policy for our executive and non-executive directors, describes the implementation of the approved remuneration policy and sets out the remuneration received by the directors for the year ended 31 December 2015. The report complies with the provisions of the Companies Act 2006, Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Listing Rules of the Financial Conduct Authority (FCA). The company also follows the requirements of the UK Corporate Governance Code published in September 2014.

For completeness and transparency, this part of the directors' remuneration report includes a summary of the remuneration policy approved by shareholders at the 2014 AGM (set out on pages 115 to 120) and intended to operate until the 2017 AGM unless any significant changes to the policy are proposed that require shareholder approval prior to this date. The Annual Statement by the chairman of the remuneration committee (set out on this page) and the Annual Report on Remuneration (set out on pages 121 to 132) will be subject to an advisory vote at the 2016 AGM.

Annual Statement by the chairman of the remuneration committee

On behalf of the board, I am pleased to present the directors' remuneration report for the year ended 31 December 2015.

Aligning remuneration with company strategy

Our remuneration policy encourages achievement of our corporate goals through: (1) an annual bonus linked to achieving profitable growth and specific strategic objectives; and (2) long-term incentives that only reward for absolute shareholder value creation and delivery of long-term earnings growth.

Performance in 2015

The company has continued to deliver sustainable returns and growth for its shareholders during 2015, with the key highlights being as follows:

> Profit before tax, amortisation of acquisition intangibles and exceptional costs up by 25.0% to £292.9m (2014: £234.4m);

> Total Shareholder Return ('TSR') growth of 40.9%;

> Adjusted Earnings Per Share ('EPS') growth of 22.6%;

> A 22.6% increase in dividend for the year from 98.0p to 120.1p; and

> Entry into the FTSE 100 Index on 21 December 2015.

Key outcomes in respect of 2015

The annual bonus scheme is based on an adjusted EPS[1] target and personal objectives. For 2015, the adjusted EPS target was set at 153.4p, with threshold and maximum EPS at 95% and 105% of the target respectively. Based upon an adjusted EPS[1] of 163.6p, bonuses of 100% of the maximum of the EPS element were awarded to Peter Crook and Andrew Fisher in respect of 2015, reflecting the strong financial performance of the company. Having considered the achievement against personal objectives, overall bonuses of 98% of the maximum were awarded to Peter Crook and Andrew Fisher. Both executive directors have chosen to waive the maximum two-thirds of their annual bonus in order to participate in the Provident Financial Performance Share Plan (2013) (2013 PSP).

Awards made under the Provident Financial Long Term Incentive Scheme (LTIS) in 2013 are due to vest in March 2016. These awards are subject to a performance target based on annualised adjusted EPS[2] growth and absolute annualised TSR over the three financial years ended 31 December 2015. In order for the award to vest in full, annualised TSR of 15% and annualised adjusted EPS[2] growth of 11% was required. Based upon an actual annualised TSR of 41.7% and an annualised adjusted EPS growth of 16.9%, the committee, having satisfied itself that the vesting was consistent with the broader financial performance of the company, determines that 100% of the award will vest in March 2016. Awards made under the 2013 PSP are due to vest in May 2016. In order for the basic award to be matched in full, an average annual adjusted EPS[2] growth of 11% was required over the three financial years ended 31 December 2015. Based upon an actual average annual adjusted EPS growth of 19.9%, the basic awards were matched in full and will vest in May 2016.

1 Adjusted EPS excludes any profit or loss associated with the Vanquis Bank operation in Poland, any amortisation of the broker relationships intangible asset created on the acquisition of Moneybarn and exceptional items.
2 Adjusted EPS is calculated on a consistent basis with the annual bonus scheme except that adjusted EPS in 2015 it has been restated to exclude the impact of the changes made to IAS19, 'Retirement Benefits' in 2013. This ensures that adjusted EPS in 2015 is calculated on a consistent basis with the base year adjusted EPS in 2012.

Key decisions in relation to 2016

Salary increases in line with the average increase applied to the wider employee population were awarded to the executive directors, and further details are set out on page 122.

Awards under the Provident Financial Long Term Incentive Scheme 2015 (2015 LTIS) will be made for the first time in 2016 and will be capped at 200% of salary for the executive directors. There are no changes to the performance metrics or range of targets applicable to awards to be granted under the company's long-term incentive schemes or the annual bonus scheme for 2016 . In accordance with our previous disclosures, the executive directors will be required from 2016 onwards to hold shares in the company equivalent in value to 200% of their respective salaries, an increase from 175% in 2015.

Remuneration policy

The directors' remuneration policy, which was approved by shareholders at the 2014 AGM, is summarised on pages 115 to 120 for information only. In accordance with statutory requirements, the remuneration policy will be put to shareholders for approval at the 2017 AGM.

I will be available to answer questions on the remuneration policy and the Annual Report on Remuneration at the AGM on 5 May 2016.

Malcolm Le May
Remuneration committee chairman

Directors' remuneration report

Remuneration policy

Committee role

The committee is responsible for the remuneration of the Chairman, the executive directors and the Company Secretary. The remuneration and terms of appointment of the non-executive directors are determined by the board as a whole. The committee also reviews the remuneration of the senior management teams within the three divisions and the corporate office team.

The Chief Executive is consulted on proposals relating to the remuneration of the other executive director and the senior management teams and the Chairman is consulted on proposals relating to the Chief Executive's remuneration. When appropriate, both are invited by the committee to attend meetings but are not present when their own remuneration is considered.

The committee recognises and manages any conflict of interest when receiving views from executive directors or senior management or when consulting the Chief Executive or Chairman about their proposals.

Considerations when setting policy

In setting the remuneration policy for the executive directors and senior management, the committee takes into account the following:

1. The responsibilities of each individual's role and their individual experience and performance;
2. The need to attract, retain and motivate executive directors and senior management when determining benefit packages, including an appropriate proportion of fixed and variable pay;
3. Pay and benefits practice and employment conditions both within the group as a whole and within the sector in which it operates;
4. Periodic external comparisons to examine current market trends and practices and equivalent roles in companies of similar size, business complexity and geographical scope;
5. The need to maintain a clear link between the overall reward policy and the specific performance of the group;
6. The need to achieve alignment to the business strategy both in the short and long term; and
7. The requirement for remuneration to be competitive, with a significant proportion dependent on risk-assessed performance targets.

How employees' pay is taken into account

Pay and conditions elsewhere in the group were considered when finalising the policy for executive directors and the senior management team. The same principles apply throughout the group but are proportionate relative to an individual's influence at group level. The base salary increases awarded to the executive directors are consistent with the average percentage increases awarded elsewhere in the group and reflect the strong financial performance of the group and each individual director's personal performance. The committee does not formally consult directly with employees on executive pay but does receive periodic updates from the divisions on remuneration issues in general and specifically in relation to remuneration structures throughout the group.

How the executive directors' remuneration policy relates to the senior management team

Remuneration for the level below executive director (including share incentives, bonus, benefits and pension entitlement) is set primarily by reference to market comparatives.

Long-term incentives are typically only provided to the most senior executives and are reserved for those identified as having the greatest potential to influence group level performance.

How shareholders' views are taken into account

We remain committed to taking into account shareholder views on any proposed changes to our remuneration policy. The committee chairman maintains contact, as required, with the company's principal shareholders about all relevant remuneration issues. Following consultation with shareholders on the proposed renewal of the LTIS in 2015, it was agreed that the share ownership guidelines for executive directors be increased to 200% of salary in 2016 from 175% in 2015. This change continues to improve the current policy's alignment with the group's shareholders vis-à-vis the share ownership guidelines included in the remuneration policy approved by shareholders at the 2014 AGM.

Directors' remuneration report

Remuneration policy (continued)

Executive director remuneration policy

Element	Purpose and link to strategy	Operation including maximum levels	Performance targets and provisions for recovery of sums paid
Salary	To reflect the responsibilities of the individual role. To reflect the individual's skills and experience and their performance over time. To provide an appropriate level of basic fixed income and avoid excessive risk taking arising from over reliance on variable income.	Reviewed annually and effective from 1 January. Typically set following review of the budget for the forthcoming year, taking into account salary levels in companies of a similar size and complexity. Targeted at or around median. Annual increases typically linked to those of the wider workforce. Increases beyond those granted to the wider workforce may be awarded in certain circumstances such as where there is a change in responsibility, progression in the role, or a significant increase in the scale of the role and/or size, value and/or complexity of the group.	Broad assessment of group and individual performance as part of the review process. Clawback provisions do not apply.
Annual bonus	Incentivises annual delivery of agreed financial and operational goals. Rewards the achievement of an agreed set of annual financial and operational goals.	Financial and operational goals set annually. Maximum opportunity of 120% of salary for the Chief Executive and 100% of salary for the Finance Director. One-third of bonus earned is subject to compulsory deferral into the 2013 PSP, typically for a period of three years. May defer up to an additional third of bonus. Any deferred bonus will be eligible for Matching Awards under the 2013 PSP. Remainder of bonus paid in cash.	A minimum of 50% of any bonus opportunity will be subject to financial targets (eg EPS) with up to 20% linked to personal objectives. A graduated scale operates from threshold performance through to the maximum performance level. In relation to financial targets, 0% of this part of the bonus becomes payable for achieving the threshold performance target with a graduated scale operating thereafter for higher levels of financial performance. In relation to personal objectives, it is not always practicable to set a sliding scale for each objective. Where it is, a similar proportion of the bonus becomes payable for achieving the threshold performance level as for financial targets. Clawback provisions apply where there is a material prior period error requiring restatement of the group financial statements. Details of the bonus measures operated each year will be included in the relevant Annual Report on Remuneration. The committee reserves the power to make changes over the life of the policy to achieve alignment with the group's annual strategy.
Performance Share Plan	Alignment of management's long-term strategic interests with long-term interests of shareholders. Encourages an increased shareholding in the group.	Invitations to participate and awards made annually. Opportunity to defer up to two-thirds of annual bonus and receive a basic award together with a matching share award. Executive directors eligible for a Matching Award of up to two times based on a deferral of up to two-thirds of annual bonus with a minimum compulsory deferral of one-third. Maximum bonus being earned and a maximum bonus deferral, results in a maximum benefit of 160% of salary in the case of the Chief Executive and 133% of salary in the case of the Finance Director. Dividends may also be payable on basic awards and in addition, dividend equivalent provisions allow the committee to pay dividends on vested Matching Awards or cash at the time of vesting.	Awards vest based on three-year performance against a challenging range of EPS growth targets set and assessed by the committee. 25% of the Matching Award (half of one matching share) vests at the threshold performance level with full vesting taking place on a graduated scale for achieving the maximum performance level. The performance condition is reviewed annually by the committee prior to grant (in terms of the range of targets and the choice of metric) and may be refined to ensure that the condition remains aligned with the group's strategy and key performance indicators (KPIs). Any substantive reworking of the current performance condition would be accompanied by appropriate dialogue with the group's shareholders and/or approval sought for a revised remuneration policy depending on the nature of the change. Clawback provisions apply where there is a material prior period error requiring restatement of the group financial statements. Clawback provisions apply to the Matching Award only.

Element	Purpose and link to strategy	Operation including maximum levels	Performance targets and provisions for recovery of sums paid
Long Term Incentive Scheme	Alignment of management's long-term strategic interests with long-term interests of shareholders. Rewards strong financial performance and sustained increase in shareholder value. Encourages an increased shareholding in the group.	Annual grant of share awards (structured as conditional awards or nil-cost options). Executive directors are eligible for awards of up to 200% of salary which is the maximum opportunity contained within the plan rules. Dividend equivalent provisions allow the committee to pay dividends on vested shares or cash at the time of vesting. Shareholders approved the renewal of the Long Term Incentive Scheme at the 2015 AGM.	Awards vest based on a three-year performance period against a challenging range of EPS and TSR targets set and assessed by the committee. 20% of the award vests at the threshold performance level with full vesting taking place on a graduated scale for achieving the maximum performance level. The performance conditions are reviewed annually by the committee prior to grant (in terms of the range of targets and the choice of metrics) and may be refined to ensure that the conditions remain aligned with the group's strategy and KPIs. Any substantive reworking of the current performance conditions would be accompanied by appropriate dialogue with the company's shareholders and/or approval sought for a revised remuneration policy depending on the nature of the change. Clawback provisions apply where there is a material prior period error requiring restatement of the group financial statements.
Retirement benefits	Provision of a range of schemes and arrangements to enable executive directors to fund their retirement.	Available pension arrangements include the cash balance section of the Provident Financial Staff Pension Scheme, an Unfunded Unapproved Retirement Benefits Scheme, a cash supplement in lieu of pension and/or a contribution to individual Self Invested Personal Pensions (SIPPs). Pension credit of up to 30% of salary per annum is given to all executive directors.	Not applicable.
Other benefits	Provision of a range of insured and non-insured benefits commensurate with the role.	Benefits will be appropriate to an executive director's circumstances and include: > Life cover of six times salary (subject to the provision of satisfactory medical evidence), a permanent health insurance benefit of 75% of basic salary after six months' illness and membership of the group's private medical insurance scheme; > Fully expensed company car or a cash equivalent; and > Participation in any all-employee share plans operated by the company on the same basis as other eligible employees.	Not applicable.
Share ownership	To ensure alignment of the long-term interests of executive directors and shareholders.	Executive directors are required to hold a minimum of 200% of salary in the form of shares in the company with effect from 1 January 2016. Executive directors are required to retain half of any shares vesting (net of tax) under the LTIS until the guideline is met. Unvested shares held under the PSP are not taken into account.	Not applicable.

The committee will operate the incentive schemes within the policy detailed above and in accordance with their respective rules. In relation to the discretions included within the scheme rules, these include, but are not limited to: (i) who participates in the schemes; (ii) testing of the relevant performance targets; (iii) undertaking an annual review of performance targets and weightings; (iv) the determination of the treatment of leavers in line with the scheme rules; (v) adjustments to existing performance targets and/or share awards under the incentive scheme if certain relevant events take place (eg a capital restructuring, a material acquisition/divestment etc) with any such adjustments to result in the revised targets being no more or less challenging to achieve; and (vi) dealing with a change of control. For the purposes of incentive pay, EPS is calculated on an adjusted basis to show the EPS generated by the group's underlying operations.

Directors' remuneration report

Remuneration policy (continued)

> THE COMMITTEE HAS CONSIDERED THE RECENTLY PUBLISHED GUIDELINES ON SOUND REMUNERATION POLICIES UNDER CRD IV AND INTENDS TO TAKE INTO ACCOUNT THE GUIDELINES, THE UPDATED PRINCIPLES OF REMUNERATION ISSUED BY THE INVESTMENT ASSOCIATION IN NOVEMBER 2015 AND RECENT DEVELOPMENTS IN WIDER 'BEST PRACTICE' WHEN SETTING THE REMUNERATION POLICY FOR 2017. THIS WILL BE DONE IN CONSULTATION WITH SHAREHOLDERS.
>
> **Malcolm Le May**
> Remuneration committee chairman

Regulatory changes

The committee is mindful that proposed regulatory changes in the financial services sector may result in a need to rebalance the executive directors' pay and, as a result, the committee retains discretion to adjust the current proportions of fixed and variable pay within the current total remuneration package if new legislation were to impact the executive directors in due course. Should this be the case, the company would enter into appropriate dialogue with its major shareholders and, depending on the nature of any changes, may be required to seek shareholder approval for a revised remuneration policy.

Policy for new directors

Base salary levels will be set in accordance with the approved remuneration policy, taking into account the experience and calibre of the individual. Benefits will also be provided in line with the approved remuneration policy and relocation expenses/arrangements may be provided if necessary.

The maximum level of variable pay that may be offered on an ongoing basis and the structure of remuneration will be in accordance with the approved remuneration policy. This limit does not include the value of any buyout arrangements.

Different performance measures may be set initially for the annual bonus, taking into account the responsibilities of the individual and the point in the financial year that they join the company.

Any incentive offered above these limits would be contingent on the company receiving shareholder approval for an amendment to the approved remuneration policy at its next AGM.

The above policy applies to both an internal promotion to the board or an external hire.

In the case of an external hire, if it is necessary to buy out incentive pay or benefit arrangements (which would be forfeited on leaving a previous employer), then the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration or benefit being forfeited will be taken into account. The company will not pay any more than necessary and will not pay more than the expected value of the remuneration or benefit being forfeited. The approved remuneration policy will apply to the balance of the remuneration package. The company will also not make a golden hello payment.

In the case of an internal promotion, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant (adjusted as relevant to take into account the board appointment), even if inconsistent with the policy prevailing when the commitment is fulfilled.

On the appointment of a new chairman or non-executive director, the fees will be set taking into account the experience and calibre of the individual. Where specific cash or share arrangements are delivered to non-executive directors, these will not include share options or other performance-related elements.

Choice of performance metrics

The performance metrics used for the annual bonus scheme, the LTIS, the 2015 LTIS and the 2013 PSP have been selected to reflect the key indicators of the group's financial performance.

EPS continues to be considered by the committee as one of the broadest and most well understood measures of the group's long-term financial performance and therefore it remains appropriate to maintain the option to use it as a key metric in our long-term incentive plans.

Furthermore, EPS is fully aligned with the group's objective of continuing to deliver a high dividend yield and thus is aligned with the shareholder base which is weighted towards longer-term income investors.

In 2012, the link to RPI was removed from the performance targets for the LTIS and PSP following consideration by the committee of various factors prevailing at the time. This approach has been retained in relation to awards under the PSP, the 2013 PSP and the LTIS since 2012, and it is intended that this will be the approach for all awards made under the 2015 LTIS. Performance targets will, however, be assessed annually when setting targets for future awards to take account of prevailing rates of inflation.

In addition, TSR is used under the LTIS to provide an appropriate external balance to the internal EPS measure and is consistent with delivering superior returns to shareholders which remains the group's key, over-arching, long-term objective.

The committee has determined that absolute TSR remains an appropriate performance measure as the FTSE 250 is considered too diverse a group against which to compare relative TSR performance.

Also, the general financial sector is a diverse group of companies, none of which is considered to be directly comparable to the group. The committee agreed, however, to keep the appropriateness of this measure under review and at its meeting in February 2016 the committee determined that an absolute TSR target remained appropriate for the 2016 LTIS awards.

No performance targets are set for options granted under the company's Save As You Earn Scheme (SAYE) or for awards under the company's share incentive plan (SIP) as they form part of the all-employee arrangements which are designed to encourage employee share ownership across the group.

Service contracts and exit policy

The committee ensures that the contractual terms for the executive directors take due account of best practice.

Service contracts normally continue until the director's agreed retirement date or such other date as the parties agree. All service contracts contain provisions for early termination. The contracts of the executive directors are dated 27 April 2006 for the Chief Executive and 1 January 2008 for the Finance Director. All contracts operate on a rolling basis with a 12-month notice period served by either the executive director or the company.

A director's contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct. No director has a service contract providing liquidated damages on termination.

In the event of the termination of a service contract, it is the current policy to seek mitigation of loss by the director concerned and to aim to ensure that any payment made is the minimum which is commensurate with the company's legal obligations. Payments in lieu of notice are not pensionable.

In the event of a change of control of the company, there is no enhancement to contractual terms.

Notice periods are limited to 12 months. If the company terminates the employment of an executive director without giving the period of notice required under the contract, then the executive director may be entitled to receive up to 12 months' compensation. Compensation is limited to: base salary due for any unexpired notice period; any amount assessed by the committee as representing the value of contractual benefits and pension which would have been received during the period; and any annual bonus which the executive director might otherwise have been eligible to receive on a pro rata basis, subject to the committee's assessment of group and personal performance.

To the extent that a director seeks to bring a claim against the company in relation to the termination of their employment (eg for breach of contract or unfair dismissal), the committee retains the right to make an appropriate payment in settlement of such claims.

In the case of a termination by the company of the contract of any new executive director who has been appointed where a payment in lieu of notice is made, the committee would normally seek to limit this to base salary, pension and benefits for up to 12 months. An amount in respect of loss of annual bonus for the period of notice served (pro rata) would only be included in exceptional circumstances and would not apply in circumstances of poor performance. For the avoidance of doubt, in such exceptional circumstances, the director would be eligible to be considered in the normal way for an annual bonus for any period they have served as a director, subject to the normal assessment of group and personal performance.

Any share-based entitlements granted to an executive director under the company's share incentive schemes will be determined based on the relevant scheme rules. In the case of a 'bad leaver' (eg resignation) the awards normally lapse and in certain 'good leaver' circumstances (eg ill-health) awards would remain eligible to vest subject to an assessment of the performance target and a pro rata reduction (unless the committee determines otherwise).

Remuneration policy (continued)

Non-executive director remuneration policy

Element	Purpose and link to strategy	Operation including maximum levels
Fees	To attract and retain a high-calibre Chairman and non-executive directors by offering market competitive fees which reflect the individual's skills, experience and responsibilities.	The Chairman and non-executive directors receive annual fees (paid in monthly instalments). The fee for the Chairman is set by the remuneration committee and the fees for the non-executive directors are approved by the board. The Chairman is paid an all-inclusive fee for all board responsibilities. The other non-executive directors receive a basic non-executive director fee, with supplementary fees payable for additional responsibilities, including a fee for chairing a committee and, from 2016, for membership of the risk and audit committees (but not if performing a chairman role). The non-executive directors do not participate in any of the company's incentive arrangements. Relevant expenses and/or benefits may be provided to the non-executive directors. The fee levels are reviewed on a regular basis and may be increased taking into account factors such as the time commitment of the role and market levels in companies of comparable size and complexity. Flexibility is retained to go above the current fee levels and/or to provide the fees in a form other than cash (but not as share options or other performance-related incentives) if necessary to appoint a new Chairman or non-executive director of an appropriate calibre.

Terms of appointment for the non-executive directors

Name	Appointment	Date of most recent term	Expected date of expiry
Manjit Wolstenholme	16 July 2007	31 July 2013	31 July 2016
Rob Anderson	2 March 2009	30 March 2015	30 March 2018
Stuart Sinclair	1 October 2012	31 October 2015	31 October 2018
Malcolm Le May	1 January 2014	1 January 2014	31 January 2017
Alison Halsey	1 January 2014	1 January 2014	31 January 2017

Policy on other appointments

Executive directors are permitted to hold one non-executive directorship in a FTSE 100 company (and to retain the fees from that appointment) provided that the board considers that this will not adversely affect their executive responsibilities.

Copies of directors' service contracts and/or letters of appointment are available from the Company Secretary on request.

Non-executive directors

Non-executive directors are not employed under service contracts and do not receive compensation for loss of office. They are appointed for fixed terms of three years, renewable for a further three-year term and, in exceptional circumstances, further extended if both parties agree. Any such extension will be subject to annual reappointment by shareholders.

The table above shows details of the terms of appointment for the non-executive directors. Following the extension of the terms of appointment of both Stuart Sinclair and Rob Anderson, all directors will seek reappointment at the forthcoming AGM.

Remuneration payments and payments for loss of office will only be made if consistent with this approved remuneration policy or otherwise approved by an ordinary resolution of shareholders.

Malcolm Le May
Remuneration committee chairman
23 February 2016

Directors' remuneration report

Annual Report on Remuneration

Introduction

This Annual Report on Remuneration provides an overview of the workings of the committee during the year, sets out details of how the approved remuneration policy was implemented in 2015, and explains the total remuneration earned by the directors in 2015. It also sets out details of how the approved remuneration policy will be implemented in 2016.

This report will be subject to an advisory vote at the AGM of the company to be held on 5 May 2016.

Committee role and membership

The role of the committee is set out in its terms of reference which are reviewed annually and were last updated in January 2015. These can be found on the group's website at www.providentfinancial.com. The committee meets at least three times a year and thereafter as circumstances dictate.

Details of the work undertaken by the committee during the year are set out on page 122.

The members of the committee, all of whom are considered to be independent, and their attendance at meetings during the year is shown in the table below.

The committee has reviewed and considered the impact of the FCA Remuneration Code (FCA Code). Whilst the FCA Code applies to Vanquis Bank, it does not apply to the group executive directors, based on the company's interpretation of the FCA Code, in relation to their executive roles. Vanquis Bank has established a remuneration committee to identify those Vanquis Bank employees who are Material Risk Takers and to ensure that Vanquis Bank complies with the FCA Code on an ongoing basis. The committee reviews the work undertaken by the Vanquis Bank remuneration committee through regular reports submitted to it.

The committee regularly reviews the approved remuneration policy in the context of the group's risk management framework to ensure it does not inadvertently promote irresponsible behaviour. It has coordinated its work with both the audit committee and the risk advisory committee, who assist with the monitoring and assessment of risk management specifically in relation to the incentives provided under the approved remuneration policy.

The committee considers corporate performance on environmental, social and governance (ESG) issues when setting the performance conditions for the annual bonus scheme and share incentive plans and will use its discretion to ensure that, where appropriate, the management of ESG risks is reflected in the rewards granted to executive directors and the senior management team.

Effectiveness

On the basis of an internal board and committee evaluation, the committee considered its effectiveness in 2015 at its meeting in December 2015. Overall the committee determined that it was operating effectively and that it continued to have appropriate regard for the key issues within its remit.

External advisors

During the year, New Bridge Street (NBS), a trading name of Aon plc (NBS's parent company), was engaged by the committee to provide remuneration consultancy services. The Company Secretary, on behalf of the committee, agrees the scope of the services to be provided and a fixed fee in respect of each deliverable. The total fees paid to NBS in respect of such services to the committee during the year were £81,025. NBS is a signatory to the Remuneration Consultants' Code of Conduct. Aon plc also provides pension consultancy and investment advice to the company. The committee is satisfied that these additional services in no way compromised the independence of advice from NBS.

The committee also engaged Addleshaw Goddard LLP to provide advice and support in relation to the establishment of the replacement LTIS (the 2015 LTIS) which was approved by shareholders at the 2015 AGM and in relation to other remuneration related matters. The total fees paid to Addleshaw Goddard LLP in 2015 in respect of their services were £29,153.

The terms of engagement for NBS and Addleshaw Goddard LLP are available from the Company Secretary on request.

The Company Secretary is secretary to the committee and instructed all the external advisors on behalf of the committee. The Company Secretary attended all the meetings of the committee in 2015 and provides legal and technical support.

In selecting advisors, the committee considers a range of factors, such as independence and objectivity, experience, technical ability and market knowledge. These factors are reviewed on a regular basis, and were last considered by the committee at its meeting in January 2015.

Committee members and meeting attendance

Name	Notes	Date appointed	2015 Attendance	Percentage attended
Malcolm Le May	Chairman	1 January 2014	6 out of 6	100%
Rob Anderson		2 March 2009	6 out of 6	100%
Alison Halsey		1 January 2014	6 out of 6	100%
Stuart Sinclair		1 October 2012	4 out of 6	66.7%

Directors' remuneration report

Annual Report on Remuneration (continued)

Components of the approved remuneration policy

The approved remuneration policy will be implemented in 2016 as follows:

Executive directors

1. Salary

Salaries for executive directors and the senior management team are reviewed annually by the committee, although not necessarily increased. At its meeting in December 2015, the committee considered the company's strong financial performance and each individual's responsibilities, abilities, experience and personal performance. The committee also considered both the group's own salary structures, pay and conditions and, although used with caution in order to avoid paying more than necessary, market data on salary rates for similar positions in comparative companies. As a result, it agreed to increase the executive directors' salaries in 2016 as follows:

Director's name	% increase 2016	Salary £
Peter Crook	3.4	730,000
Andrew Fisher	3.2	520,000

These increases are consistent with the average percentage increases awarded elsewhere in the group.

2. Annual bonus

The group operates an annual bonus scheme which provides the framework for an annual incentive for executive directors. The aim of the scheme is to improve the company's performance through the achievement of certain financial and operational goals. The maximum bonus opportunity will continue to be restricted to 120% of salary for the Chief Executive and 100% of salary for the Finance Director. The performance conditions for the 2016 annual bonus will continue to be based on the group's EPS and personal objectives as follows:

	Peter Crook		Andrew Fisher	
Measure	Maximum bonus opportunity		Maximum bonus opportunity	
Targeted group EPS	80%	£700,800	80%	£416,000
Personal objectives	20%	£175,200	20%	£104,000

EPS is the key internal measure of financial performance as it is the broadest measure of the group's financial performance and is aligned to the shareholder base which is weighted towards longer-term income investors.

Straight-line vesting will operate between 95% of the targeted group EPS at which point 0% of the bonus subject to this measure will be payable, and the maximum of 105% of the targeted group EPS. 60% of the bonus subject to this measure will be payable for target levels of performance. The personal objectives element of the scheme will continue to be underpinned by the threshold level of the targeted group EPS. On the basis that the vast majority of the group's competitors are unlisted, and on the basis that the EPS target is consistent with the group's objective of continuing to deliver a high dividend yield, the committee considers that disclosure of the actual EPS target for the annual bonus scheme in 2016 would put the company at a significant commercial disadvantage. Details of the extent to which the bonus targets are achieved will, however, be set out in the next Annual Report on Remuneration.

Clawback provisions also apply to annual bonus awards which will enable the committee to recover value overpaid in the event of a restatement of the company's Annual Report and Financial Statements or an error in the calculation of the extent to which the performance target has been met. The mechanisms open to the committee when undertaking a clawback include the withholding of variable pay to offset the value to be clawed back and/or seeking repayment from the individual of the value overpaid. Any bonuses paid are non-pensionable and are not taken into account when determining base salary for performance-related remuneration.

Remuneration committee key items in 2015

JAN
- Review of directors' expenses.
- Review of the committee's performance and effectiveness (2014).
- Review of Chairman's fees (2015).
- Review of feedback from shareholders on the renewal of the LTIS.
- Finalisation of targets under the 2015 annual bonus scheme for executive directors.

FEB
- Review of the 2014 remuneration report.
- Determination of vesting of LTIS and PSP awards granted in 2012.
- Review of proposed LTIS, PSP and PF Equity Plan awards and applicable performance targets.
- Review of prior year performance against financial and non-financial objectives in relation to the 2014 annual bonus scheme for executive directors.
- Assessment of the remuneration risk framework.

MAY
- Adoption of the 2015 LTIS following shareholder approval at the 2015 AGM.

SEP
- Review of a proposed remuneration package for the new Vanquis Bank Managing Director.

OCT
- Review of remuneration developments and best practice in the market.
- Discussion on the operation of the approved remuneration policy for 2016.

DEC
- Review of executive directors' shareholdings.
- Review of Chairman's fees (2016).
- Review of the restructure of divisional boards and severance terms for departing subsidiary directors.
- Agreement on the application of the approved remuneration policy in 2016.
- Review of the committee's performance and effectiveness (2015).

3. Long-term incentive schemes

The company's long-term incentive arrangements for executive directors are the 2015 LTIS and the 2013 PSP.

The LTIS expires in May 2016 and a resolution to renew the scheme on substantially similar terms was approved by shareholders at the 2015 AGM.

A replacement PSP was approved by shareholders at the 2013 AGM following expiry of the previous PSP in 2012.

The Provident Financial Executive Share Option Scheme 2006 (the ESOS) also expires in May 2016 and is not being replaced.

In 2016 and future years, executive directors will participate in the 2015 LTIS and the 2013 PSP.

LTIS

The committee is responsible for selecting eligible employees, including executive directors, to participate in the LTIS and for granting conditional share awards under the LTIS. Participants are eligible to be considered for awards annually. No payment is required on grant or vesting of an award. Until an award vests, a participant has no voting, dividend or other rights in respect of the shares subject to the award. The aggregate market value of awards made to a participant under the 2015 LTIS in any one financial year may not exceed 200% of basic salary which is the normal grant policy under the LTIS and the committee intends to grant awards under the LTIS at this level in respect of the current financial year. This 200% limit does not include the value of any dividend equivalent payable on shares vesting under an LTIS award which is also paid on the vesting date.

For awards in 2016, it is proposed that the performance targets continue to be based on absolute EPS growth and absolute TSR, with the range of targets remaining unchanged from 2015.

The actual range of the EPS targets for awards in 2016 will be as follows (with a sliding scale of vesting on a straight-line basis between these lower and upper targets):

Annualised growth in EPS	Percentage vesting (of EPS part of award)
Below 5%	0%
5%	20%
11%	100%

The actual range of the TSR targets for awards in 2016 will be as follows (with a sliding scale of vesting on a straight-line basis between these lower and upper targets):

Annualised TSR	Percentage vesting (of TSR part of award)
Below 8%	0%
8%	20%
15%	100%

Notwithstanding achievement against the challenging EPS targets, vesting will only take place to the extent that the committee considers the vesting to be consistent with the broader financial performance of the company and the committee may scale back vesting if this is not considered to be the case. The committee introduced this underpin to the already demanding EPS targets to ensure that the executive directors do not place too great an emphasis on EPS alone. There is also a general underpin which applies to the TSR target whereby the committee needs to be satisfied that the TSR performance is a genuine reflection of the underlying performance of the company before any award vests.

PSP

Executive directors are required to waive a minimum of one third of annual bonus payable into the PSP. They may also elect to waive up to a further third of bonus. They then receive a Matching Award under the PSP which is subject to a performance target based on absolute EPS growth.

At the lower end of the performance target range, one-half of a matching share will vest up to a maximum of two matching shares at the upper end of the performance target range for each basic share awarded following bonus waiver into the PSP. The value of the award can therefore increase or decrease depending on the prevailing share price at the date of vesting.

The actual range of the EPS targets for awards in 2016 remains unchanged from 2015 and will be as follows:

Annual average growth in EPS	Matching shares vesting
Below 5%	No vesting
5%	Half of one matching share
11%	Two matching shares

The same general underpin to the EPS targets in the LTIS (as set out above) applies to all awards granted under the PSP since 2013.

ESOS

The committee does not intend to make further grants to executive directors under the ESOS in 2016.

4. All-employee share schemes

Savings-related share option scheme

The executive directors (together with other eligible employees) may participate in the Provident Financial Savings Related Share Option Scheme 2013 (SAYE Scheme). Participants save a fixed sum each month for three or five years and may use these funds to purchase shares after three or five years. The exercise price is fixed at up to 20% below the market value of the shares at the date directors and employees are invited to participate in the SAYE Scheme and monthly savings amounts are subject to HMRC limits.

Share incentive plan

In addition to the SAYE Scheme, the executive directors may participate in the Provident Financial Share Incentive Plan ('SIP'). This is an all-employee plan which offers a further mechanism through which employees can acquire shares in a tax-approved manner. Executive directors and the senior management team are invited to participate in the SIP on the same terms as other eligible employees. The SIP provides an opportunity to invest in the company's shares and benefit from the company's offer to match that investment on the basis of one share for every four shares purchased.

The amount an executive director could earn under the approved remuneration policy

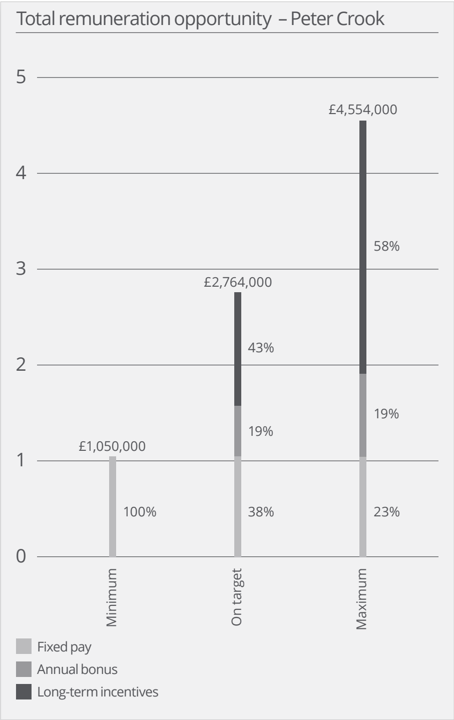
A significant proportion of remuneration is linked to performance, particularly at maximum performance levels. The charts on page 124 show how much the Chief Executive and the Finance Director could earn under the policy under different performance scenarios. The following assumptions have been made:

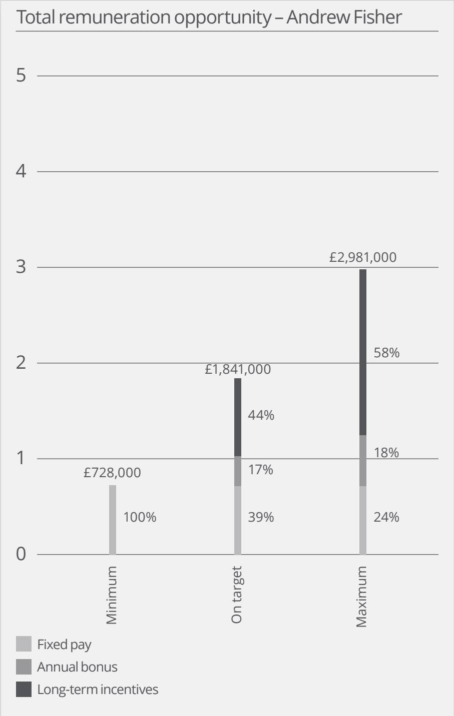
> Minimum (performance below threshold) – fixed pay only with no vesting under the LTIS or PSP and no annual bonus;

> On target – fixed pay plus a bonus at target (60% of the maximum opportunity) and vesting of 55% of the Matching Award under the PSP and 55% of the award under the LTIS; and

Directors' remuneration report

Annual Report on Remuneration (continued)





> Maximum (performance meets or exceeds maximum) – fixed pay plus maximum bonus (120/100% of salary) and maximum vesting under the PSP and LTIS.

> Fixed pay comprises:

(i) salary – salary effective as at 1 January 2016;

(ii) benefits – amount received by each executive director in the 2015 financial year; and

(iii) pension – pension credit of 30% of salary.

Awards under the PSP and LTIS have been assumed as follows:

(i) 2013 PSP – Matching Award of two-thirds of bonus earned at target and maximum performance levels; and

(ii) 2015 LTIS – award equal to 200% of salary.

Partnership and matching shares under the SIP and options under the SAYE Scheme have not been included.

The scenarios do not include any growth or a fall in the share price or dividend assumptions.

It should be noted that since this analysis shows what could be earned by the executive directors based on the approved remuneration policy (ignoring the potential impact of share price movements) the numbers will be different to the values included in the table on page 125 detailing what was actually earned by the executive directors in relation to the financial year ended 31 December 2015, since these values are based on the actual levels of performance achieved to 31 December 2015 and include the impact of share price movements in relation to share awards.

Non-executive directors

1. Non-executive directors' fees

At its meeting in December 2015, the board reviewed the non-executive directors' fees in the context of a benchmarking exercise undertaken by NBS, taking due account of the need to use such benchmarking exercises with caution. After taking into account the anticipated ongoing time commitment for the role and in recognition of the increased workload of the audit and risk advisory committees in the current financial services regulatory environment, it was agreed to increase the 2016 fee levels for current incumbents as follows:

> Non-executive director base fee: £66,000 (increased by £2,000);

> Supplementary fee for chairing the audit, remuneration or risk advisory committee: £20,000 (increased by £5,000);

> Supplementary fee for membership of the audit committee or risk advisory committee: £5,000 (new for 2016). This fee is not paid to the chairman of each committee; and

> Supplementary fee for the role of Senior Independent Director (SID): £10,000 (no change).

2. Chairman's fees

On the basis of (1) a benchmarking exercise carried out by NBS in December 2015; (2) the fact that no increase was awarded in 2015; (3) the anticipated increased time commitment for the role; (4) the growth in size and complexity of the business and (5) the increased regulatory requirements of the group, the committee agreed that the Chairman's fees for 2016 be increased to £310,000 (2014: £255,000).

Details of the implementation of the company's approved remuneration policy in 2015 are set out below:

Directors' remuneration

The total aggregate directors' emoluments during the year amounted to £14,583,000 (2014: £11,566,000), analysed as follows:

	Fixed pay								Variable pay												Total	
							Total fixed pay				Share incentive schemes								Total variable pay			
	Salary		Benefits in kind		Pension				Annual cash bonus[2]		LTIS		PSP		PSP dividends							
Director's name	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015[3] £'000	2014 £'000	2015[4] £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000		
Executive directors																						
Peter Crook	706	685	97[1]	45	223	239	1,026	969	830	822	3,106	2,492	3,412	2,174	81	137	7,429	5,625	8,455	6,594		
Andrew Fisher	504	489	52	63	156	181	712	733	494	489	2,219	1,783	2,075	1,294	49	83	4,837	3,649	5,549	4,382		
Total	1,210	1,174	149	108	379	420	1,738	1,702	1,324	1,311	5,325	4,275	5,487	3,468	130	220	12,266	9,274	14,004	10,976		

Note: Peter Crook and Andrew Fisher have agreed to waive any emoluments in respect of their directorships of Vanquis Bank Limited, Provident Financial Management Services Limited and Moneybarn No. 1 Limited.

1 This increase relates primarily to a change in the Chief Executive's normal place of work from Bradford to London.
2 The annual bonus represents the gross bonus payable to the directors in respect of 2015. Each director has agreed to waive two-thirds of gross bonus payable in order to participate in the 2013 PSP.
3 Amount calculated based on 100% vesting of 2013 awards multiplied by an average share price for the three months ended 31 December 2015. No account has been taken of the dividend equivalent payable on these shares, which will be calculated on the vesting date of 1 March 2016. The actual value may vary depending on the actual share price on the vesting date of 1 March 2016.
4 Amount calculated based on 100% vesting of 2013 awards multiplied by an average share price for the three months ended 31 December 2015. No account has been taken of the dividend equivalent payable on the matching award shares, which will be calculated on the vesting date of 9 May 2016. The actual value may vary depending on the actual share price on the vesting date of 9 May 2016.

	Fees		Annual cash bonus		Benefits in kind		Total	
Director's name	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Chairman								
Manjit Wolstenholme	255	255	–	–	4	3	259	258
Non-executive directors								
Rob Anderson	64	66	–	–	3	11	67	77
Stuart Sinclair[1]	79	79	–	–	3	11	82	90
Alison Halsey	79	76	–	–	2	–	81	76
Malcolm Le May[1]	89	89	–	–	1	–	90	89
Total	566	565	–	–	13	25	579	590

Note: The non-executive directors did not receive a pension benefit nor did they receive any bonus or share incentive entitlements.

1 Stuart Sinclair and Malcolm Le May each receive an additional fee of £50,000 per annum in respect of their directorships of the relevant companies of CCD and Moneybarn respectively, pro rated in 2015 from their respective dates of appointment.

Annual Report on Remuneration (continued)

Directors' fees

Non-executive directors

Non-executive directors' fees are designed both to recognise the responsibilities of non-executive directors and to attract individuals with the necessary skills and experience to contribute to the future growth of the company. Full details of the non-executive directors' fees are set out in the table on page 125. Non-executive directors' remuneration is fixed by the board and does not include share options or other performance-related elements.

Chairman

The fees for the Chairman are fixed by the committee. Full details of the Chairman's fees are set out in the table on page 125.

Fees from other directorships

Peter Crook is a non-executive director of Cabot (Group Holdings) Limited and he retains the fee from that appointment. During 2015, these fees amounted to £61,251 (2014: £50,000).

Annual bonus scheme

The 2015 annual bonus scheme was based on adjusted targeted group EPS (excluding exceptional items and amortisation of acquisition intangibles) and personal objectives.

The maximum bonus opportunity in respect of 2015 was restricted to 120% of salary for the Chief Executive and 100% of salary for the Finance Director and was split as follows:

	Peter Crook	Andrew Fisher
Measure	Maximum bonus opportunity	
Targeted group EPS	80%	80%
Personal objectives	20%	20%

The actual proportions of the 2015 adjusted targeted group EPS and the corresponding targeted group EPS that needed to be achieved, which the committee considered to be challenging, were as follows:

	Threshold	Target	Maximum
% of the adjusted targeted group EPS achieved	95%	100%	105%
% of EPS element of annual bonus paid	0%	60%	100%
Target EPS	145.7p	153.4p	161.1p

Straight-line vesting operated between 95% and 105% of the adjusted targeted group EPS.

The committee carries out a detailed review of the computations undertaken in determining the group's EPS and ensures that the rules of the scheme are applied consistently. The company's auditor is also asked to perform agreed-upon procedures on behalf of the committee on the EPS calculations.

At its meeting in February 2016, the committee assessed the group's performance against the adjusted targeted group EPS. The adjusted EPS achieved of 163.6p exceeded the adjusted targeted group EPS of 153.4p by more than 5% and the committee therefore determined that 100% of the EPS element of the 2015 annual bonus would be paid.

The balance of the annual bonus, as detailed in the table of directors' remuneration on page 125, was paid on the basis of the committee's assessment of the extent to which the personal objectives for the executive directors were achieved.

The committee's assessment of the Chief Executive's performance against his personal objectives was that they were achieved at 90% of the maximum. While the specific factors underlying this assessment are considered to remain price sensitive and will not be disclosed, the key factors assessed when determining the bonus payable included: (i) the options presented to the board to broaden the group's participation in the non-standard market, the recommendations then put forward and the decisions taken by the board against original plans; (ii) achievement against pre-set targets relating to the repositioning of CCD and delivering a clean exit from the Vanquis operation in Poland; (iii) feedback received from external audits in managing key stakeholder relations; and (iv) the progress made during the year in strengthening the leadership team in light of the successful growth of the group.

The committee's assessment of the Finance Director's performance against his personal objectives was that they were also achieved at 90% of the maximum. As noted above for the Chief Executive, the specific factors underlying this assessment are considered to remain price sensitive and will not be disclosed, however, the key factors assessed when determining the bonus payable included: (i) working with the Chief Executive on broadening the group's participation in the non-standard market, repositioning CCD and delivering a clean exit from the Vanquis operation in Poland as noted above; (ii) achieving a tax charge for the group within the target range set; (iii) delivering an updated ICAAP in line with planning expectations and managing the group's risk profile well within targeted levels; and (iv) appraising and strengthening the finance function in light of the continued growth and expansion of the group.

The bonus payable as a percentage of salary in relation to 2015 was therefore 98% for the Finance Director and 117.6% for the Chief Executive.

Share incentive schemes

In 2015 the committee continued with the policy of making conditional share awards to executive directors and the senior management team under the LTIS and awards under the 2013 PSP. This policy is in line with prevailing market practice and recognises that conditional share awards, and the waiver of annual bonus in the case of the 2013 PSP, provide greater alignment with shareholders' interests.

LTIS

Historically, and dependent upon satisfactory personal and corporate performance, the committee's policy has been to grant conditional share awards at the maximum level of 200% of basic salary. Executive directors received maximum grants in 2015.

2015 awards

The proposed performance targets for awards made under the LTIS in 2015 were reviewed by the committee at its meeting in February 2015 and it was considered that they remained appropriately challenging given market forecasts and the economic environment prevailing at the time.
The actual range of the targets for awards in 2015 was the same in terms of metrics and annual growth requirements as the targets for the proposed 2016 LTIS awards, further details of which are set out on page 123.

2013 awards

Vesting of the 2013 conditional share awards was split equally between the company's annualised growth in adjusted EPS and its annualised TSR as follows:

Annualised growth in EPS	Percentage vesting (of EPS part of award)
Below 5%	0%
5%	20%
11%	100%

Annualised TSR	Percentage vesting (of TSR part of award)
Below 8%	0%
8%	20%
15%	100%

A sliding scale of vesting (on a straight-line basis) applied between the lower and upper EPS and TSR targets.

The assessment of the extent to which these performance conditions were met was discussed by the committee at its meeting in February 2016, with assistance from NBS. The company's annualised growth in adjusted EPS over the performance period was 16.9% which exceeded the maximum annualised growth in EPS target of 11%. The committee therefore approved a 100% vesting of the EPS element of the award, having satisfied itself that the vesting was consistent with the broader financial performance of the company.

NBS also confirmed that the company's annualised TSR over the three-year performance period was 41.7%, which exceeded the maximum annualised TSR target of 15%, resulting in 100% of the TSR element of the award vesting.

The committee therefore approved a 100% vesting of the 2013 awards, having also satisfied itself that the TSR performance was a genuine reflection of the underlying performance of the company. This assessment included consideration of various factors, including the annualised increase in profit before tax, amortisation of acquisition intangibles and exceptional items over the period of 19.6% and the total annualised growth in dividends over the period of 15.7%.

Dividend waiver

The executive directors have waived an entitlement to any dividend in respect of the conditional share awards during the performance period. To the extent an award vests at the end of the performance period, either additional ordinary shares in the company or a cash amount equivalent to the dividends that would have been paid on the vested awards from the date of grant, will be provided to the executive directors on vesting.

Divisional targets

As in previous years, awards made in 2015 to employees within CCD, Vanquis Bank and Moneybarn are subject to a challenging divisional performance target rather than group EPS and TSR targets.

PSP

2015 awards

In 2015, participation in the 2013 PSP included the executive directors, who were able to elect to waive up to two-thirds (with a minimum of one third) of their annual bonus payable, and other eligible employees who were able to waive up to 50% or 30%, (depending on their level of seniority), of their annual bonus payable. Participants then received a basic award of shares equal to the value of their waived bonus, together with an equivalent Matching Award (on the basis of one share for each share acquired pursuant to the participant's basic award) which is subject to a performance condition over a period of three years.

Long Term Incentive Scheme

Details of the conditional share awards granted to the executive directors during 2015 are summarised below:

Director's name	Date of award	Number of shares	Face value[1]	Percentage of salary	Performance condition[2]	Performance period	% vesting at threshold
Peter Crook	25.02.2015	51,797	£1,411,986	200%	50% based on absolute TSR and 50% based on absolute EPS	Three consecutive financial years ending 31 December 2017	20%
Andrew Fisher	25.02.2015	36,977	£1,007,993	200%			

1 Face value calculation is based on the share price of £27.26 on 24 February 2015. Actual value at vesting may be greater or lesser depending on actual share price at vesting and as a result of any dividend equivalent payable on vested shares.
2 Details of the performance conditions are set out in the notes to the table below.

Awards held by the executive directors under the LTIS at 31 December 2015 were as follows:

Director's name	Date of award	Awards held at 01.01.2015	Awards granted during the year	Awards vested during the year[1]	Awards lapsed during the year	Awards held at 31.12.2015	Market price at date of grant (p)	Market price at date of vesting (p)	Vesting date
Peter Crook	26.03.2012[2]	111,876	–	111,876	–	–	1,162.0	2,721.0	26.03.2015
	01.03.2013[3]	90,784	–	–	–	90,784	1,465.0	–	01.03.2016
	08.04.2014[3]	72,143	–	–	–	72,143	1,899.0	–	08.04.2017
	25.02.2015[3]	–	51,797	–	–	51,797	2,726.0	–	25.03.2018
Andrew Fisher	26.03.2012[2]	80,034	–	80,034	–	–	1,162.0	2,721.0	26.03.2015
	01.03.2013[3]	64,846	–	–	–	64,846	1,465.0	–	01.03.2016
	08.04.2014[3]	51,500	–	–	–	51,500	1,899.0	–	08.04.2017
	25.02.2015[3]	–	36,977	–	–	36,977	2,726.0	–	25.03.2018

1 Dividend shares on awards which vested in 2015 were received as follows: Peter Crook 9,810 shares and Andrew Fisher 7,018 shares.
2 Details of the performance target for the 2012 award were included in the Annual Report on Remuneration in 2014.
3 Half the award vests subject to EPS growth with 20% of this part of the award vesting for EPS growth of 5% per annum through to full vesting for EPS growth of 11% per annum. The remaining half of the award is subject to absolute TSR with 20% of this part of the award vesting for 8% absolute TSR per annum and full vesting for absolute TSR of 15% per annum. No vesting takes place below the threshold performance levels with straight-line vesting taking place between threshold and maximum performance levels. In addition: (1) with regard to the absolute TSR performance targets, that part of the award will not vest unless the committee is satisfied that the TSR performance is a genuine reflection of the underlying performance of the company; and (2) with regard to the absolute EPS performance targets, that part of the award will not vest unless the committee is satisfied that the vesting is consistent with the broader financial performance of the company. Full details of historic performance targets have been fully set out in previous directors' remuneration reports.

Directors' remuneration report

Annual Report on Remuneration (continued)

Awards to executive directors and certain members of the senior management team in 2015 were however made on the basis of up to two shares for each share acquired pursuant to their basic award, the second matching share being subject to a more stretching performance target.

For awards granted since 2012, the committee changed the EPS target to an absolute EPS target, which is consistent with the absolute EPS target which was introduced for awards under the LTIS from 2012, as set out on page 118.

The actual range of the EPS targets for awards granted in 2015 is as follows:

Average annual growth in EPS	Matching shares vesting
Below 5%	No vesting
5%	Half of one matching share
11%	Two matching shares

A sliding scale of vesting (on a straight-line basis) applies between these lower and upper targets which are measured over a period of three consecutive financial years, the first of which is the financial year starting immediately before the grant date of the Matching Award.

2013 awards

For awards granted in 2013, the actual range of the EPS targets was as follows:

Average annual growth in EPS	Matching shares vesting
Below 5%	No vesting
5%	Half of one matching share
11%	Two matching shares

A sliding scale of vesting (on a straight-line basis) applied between these lower and upper targets which were measured over a period of three consecutive financial years, the first of which was the financial year starting immediately before the grant date of the Matching Award.

At its meeting in February 2016, the committee considered the extent to which the performance target for the awards granted in 2013 had been met. The average annual growth in adjusted EPS over the performance period was 19.9% and this level of EPS growth exceeded the maximum target of 11% resulting in 100% of the Matching Award vesting. The committee therefore approved a 100% vesting of the 2013 awards, having satisfied itself that the vesting was consistent with the broader financial performance of the company.

Dividends

For awards granted prior to 2013, the dividends payable on the basic and matching shares were paid to the directors on the normal dividend payment date.

For awards granted from 2013 onwards, the dividend payable on the basic award only is paid to the directors on the normal dividend payment date. Any dividend payable on the matching shares granted will be paid to the directors as a dividend equivalent on the normal vesting date and to the extent of vesting.

The dividends received in 2015 under the 2013 PSP were: Peter Crook £80,591 (2014: £137,132) and Andrew Fisher £49,099 (2014: £82,596). These figures have been included in the table of directors' remuneration on page 125.

Other relevant share incentive scheme information

The mid-market closing price of the company's shares on 31 December 2015 was 3,366.5p. The range during 2015 was 2,423.5p to 3,633p.

No consideration is payable on the award of conditional shares.

There were no changes in directors' conditional share awards or PSP awards between 1 January 2016 and 23 February 2016.

Offshore Employee Benefit Trust

The rules of the LTIS, 2015 LTIS and 2013 PSP allow these schemes to be operated in conjunction with any employee trust established by the company. The company established the Provident Financial plc 2007 Employee Benefit Trust (EBT) in Jersey with Kleinwort Benson (Jersey) Trustees Limited (KB Trustees) acting as the trustee of the trust.

The EBT, together with any other trust established by the company for the benefit of employees cannot, at any time, hold more than 5% of the issued share capital of the company.

KB Trustees, as trustee of the EBT, subscribed for 323,218 ordinary shares in February 2015 for the purpose of satisfying the 2015 awards made pursuant to the LTIS. The trustee transferred the beneficial ownership (subject to the performance conditions set out on page 123) in 88,774 of the shares for no consideration to the executive directors on 13 April 2015.

KB Trustees also subscribed for 180,860 ordinary shares in February 2015 for the purpose of satisfying the 2015 awards made pursuant to the 2013 PSP. The trustee transferred the beneficial ownership (subject to the performance conditions set out above), in 64,124 of the shares for no consideration to the executive directors on 11 March 2015 and also transferred the legal ownership in 32,062 of the shares for no consideration to the executive directors. KB Trustees has entered into a dividend waiver agreement in respect of all the shares it holds in the company at any time.

Statement of shareholder voting at AGM

At the 2015 AGM the directors' Annual Report on Remuneration received the following votes from shareholders:

	Total number of votes	% of votes cast
For	114,206,094	95.48
Against	5,402,332	4.52
Total votes cast (for and against)	119,608,426	100.00

The total number of votes withheld was 905,039.

At the 2014 AGM, the directors' Remuneration Policy received the following votes from shareholders:

	Total number of votes	% of votes cast
For	104,365,608	96.0
Against	4,254,554	4.0
Total votes cast (for and against)	108,620,162	100.0

The total number of votes withheld was 984,012.

Savings-related share option scheme

As set out on page 123, the executive directors may participate in the Provident Financial Savings Related Share Option Scheme 2013.

This scheme does not contain performance conditions as it is an HMRC-approved scheme designed for employees at all levels. Invitations to join the scheme were issued to eligible employees in August 2015. No consideration is payable on the grant of an option.

No directors exercised share options under the Provident Financial plc Employee Savings-Related Share Option Scheme (2003) or the Provident Financial Savings Related Share Option Scheme 2013 during the year. There was therefore no notional gain (representing the difference between

Performance Share Plan

Details of the awards granted to the executive directors during 2015 are summarised below:

Director's name	Date of award	Type of award	Number of shares	Face value[1]	Percentage of salary	Performance condition[2]	Performance period	% vesting at threshold
Peter Crook	25.02.2015	Basic	20,103	£548,008	78%	100% based on absolute EPS growth of between 5% and 11%	Three consecutive financial years ending 31 December 2017	Half a matching share
		Matching	40,206	£1,096,016	155%			
Andrew Fisher	25.02.2015	Basic	11,959	£326,002	65%			
		Matching	23,918	£652,005	129%			

1 Face value is calculated based on the share price of £27.26 on 24 February 2015. The actual value at vesting may be greater or lesser depending on actual share price at vesting and as a result of any dividend payable on vesting shares.
2 Details of the performance conditions are set out on page 128.

Awards held by the executive directors under the PSP and 2013 PSP at 31 December 2015 were as follows:

Director's name	Date of grant	Basic awards (number of shares) held at 01.01.2015	Matching awards (number of shares) held at 01.01.2015	Total basic awards (number of shares) vested during the year	Total matching awards (number of shares) vested during the year	Total basic awards (number of shares) held at 31.12.2015	Total matching awards (number of shares) held at 31.12.2015	Market price at date of grant (p)	Market price at date of vesting (p)	Vesting date
Peter Crook	26.03.2012[1]	32,530	65,060	32,530	65,060	–	–	1,162.0	2,713.9	26.03.2015
	09.05.2013[2]	33,243	66,486	–	–	33,243	66,486	1,533.0		09.05.2016
	08.04.2014[2]	24,822	49,644	–	–	24,822	49,644	1,899.0		08.04.2017
	25.02.2015[2]	–	–	–	–	20,103	40,206	2,726.0		25.02.2018
Andrew Fisher	26.03.2012[1]	19,363	38,726	19,363	38,726	–	–	1,162.0	2,713.9	26.03.2015
	09.05.2013[2]	20,222	40,444	–	–	20,222	40,444	1,533.0		09.05.2016
	08.04.2014[2]	15,442	30,884	–	–	15,442	30,884	1,899.0		08.04.2017
	25.02.2015[2]	–	–	–	–	11,959	23,918	2,726.0		25.02.2018

1 Details of the performance targets for the 2012 awards were included in the Annual Report on Remuneration in 2014.
2 The matching awards vest subject to a performance target based on average annual growth in EPS, with 25% of the matching award vesting for EPS growth of 5% per annum (threshold) through to full vesting for EPS growth of 11% per annum. No vesting takes place below the threshold performance level with straight-line vesting taking place between threshold and maximum performance levels. In addition, no awards will vest unless the committee is satisfied that the vesting is consistent with the broader financial performance of the company. Full details of historic performance targets have been fully set out in previous directors' remuneration reports.

the exercise price and the market price of the shares at the date of exercise) on the exercise of share options (2014: £nil).

There were no changes in directors' share options between 1 January 2016 and 23 February 2016.

None of the directors has notified the company of an interest in any other shares, transactions or arrangements which requires disclosure.

Clawback

In accordance with the recommendations within the Code and other best practice guidance, the committee, having consulted with NBS, introduced clawback provisions into all awards under the annual bonus scheme, LTIS and the PSP from December 2010 and into all awards under the 2013 PSP and the 2015 LTIS. This enables the committee, at its discretion, to clawback value overpaid in the event of: (i) a material prior period error requiring restatement of the group financial statements; or (ii) an error in assessing the extent to which a performance target (and/or any other condition) had been met.

The mechanisms open to the committee when undertaking a clawback include the withholding of variable pay to offset the value to be clawed back and/or seeking repayment from the individual of the value overpaid.

Dilution and use of equity

Following the demerger of the international business in 2007 and the subsequent share consolidation, the number of shares in issue was halved. As a consequence of this, the 5% anti-dilution limit contained within the company's executive share incentive schemes was completely utilised so that it was no longer possible for the company to satisfy any new awards granted under the executive share incentive schemes using newly issued shares (as opposed to satisfying awards by making market purchases of shares). Had the demerger not occurred, the company would have had sufficient headroom under the then existing 5% limit to continue to satisfy awards under the executive share incentive schemes using newly issued shares.

The committee considers the LTIS an important means of incentivising and retaining the executive directors and senior management and consequently a resolution seeking shareholder approval for the removal of the 5% anti-dilution limit from the rules of the LTIS was passed at the company's 2008 AGM and again at the 2015 AGM in respect of the 2015 LTIS. Information on the resolution was included in the shareholders' circular and notice of both the 2008 AGM and the 2015 AGM. Awards granted under the 2015 LTIS can therefore be satisfied using newly issued shares, up to the 10% anti-dilution limit in any 10 years, which applies to all share schemes operated by the company. In due course, the committee intends to

Directors' remuneration report

Annual Report on Remuneration (continued)

Savings-related share option schemes

Director's name	Options held at 01.01.2015	Granted in 2015	Exercised in 2015	Options held at 31.12.2015	Exercise price (p)	Market value at date of exercise (p)	Range of normal exercisable dates of options held 31.12.2015
Peter Crook	1,777	–	–	1,777	868	–	01.12.2016 – 31.05.2017
Andrew Fisher	689	–	–	689	1,305	–	01.12.2016 – 31.05.2017
	547	–	–	547	1,644	–	01.12.2017 – 31.05.2018
Total	3,013	–	–	3,013			

re-introduce the 5% limit when the 2015 LTIS can be effectively operated in accordance with, and subject to, a 5% anti-dilution limit.

The table below sets out the headroom available for all share schemes and shares held in trust as at 31 December:

Headroom	2015	2014
All share schemes	4.5%	2.8%
Shares held in trust	3.2%	3.2%

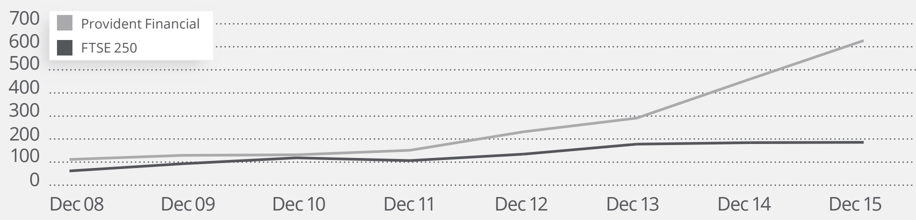
Payments for loss of office

There were no payments for loss of office during the year.

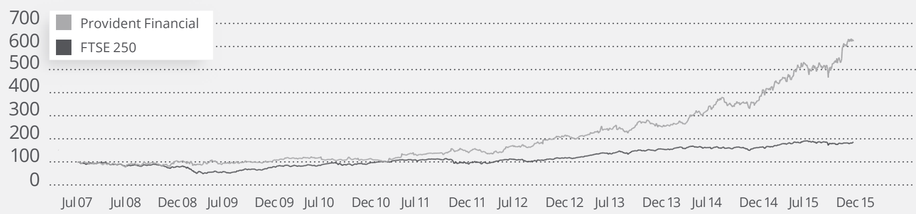
Total shareholder return: Provident Financial plc vs FTSE 250

Graph (1) shows the total shareholder return for Provident Financial plc against the FTSE 250 index for the past seven years. This index was chosen for comparison because the company has been a member of this index for the vast majority of the seven-year period before its entry into the FTSE 100 Index on 21 December 2015. Graph (2) shows the comparison for the period from demerger of the international business to 31 December 2015, which the committee believes is a more accurate representation of the company's performance. Table (3) shows the total remuneration figure for Peter Crook, the Chief Executive, over the seven-year period. The total remuneration figure includes the annual bonus paid together with LTIS and PSP awards which vested based on the relevant performance targets in those years. The annual bonus, LTIS and PSP percentages show the payout for each year as a percentage of the maximum opportunity.

1. Total shareholder return: Provident Financial vs FTSE 250 – 2008 to 2015



2. Total shareholder return: Provident Financial vs FTSE 250 – 16.07.07 to 31.12.15



3. Chief Executive remuneration 2009 to 2015

	Year ended 31 December						
	2009	2010	2011	2012	2013	2014	2015
Single total figure of remuneration (£'000)	2,023	2,727	3,443	4,326	4,985	6,594	**8,455**
Annual bonus (%)	–	81	100	98	89	100	**98**
LTIS vesting (%)	100	66	49	100	100	100	**100**
PSP vesting (%)	–	100	79	–	100	100	**100**

Chief Executive relative pay

Table (4) shows the percentage year-on-year change in salary, benefits and annual bonus earned between the years ended 31 December 2013 and 31 December 2015 for Peter Crook, the Chief Executive, compared to the average for the corporate office employees during the same period. A comparison with the corporate office employees is considered to be more suitable due to the range and composition of employees across the group and the wide range of different remuneration structures and practices which operate in the divisions, making any meaningful comparison difficult.

4. Chief Executive relative pay

	2014/2015			2013/2014		
%	Salary	Benefits	Annual bonus	Salary	Benefits	Annual bonus
Chief Executive	3.1%	118.4%[1]	3.1%	3.0%	1.1%	16.3%
Average corporate office employee	3.4%	16.9%	8.3%	1.9%	11.4%	9.5%

Across the group, the budgeted salary increase ranged from 0% to 3.5%.

1 This increase relates primarily to a change in the Chief Executive's normal place of work from Bradford to London.

Relative importance of spend on pay

This table shows the total pay (including bonuses) for all the group's employees in the 2013, 2014 and 2015 financial years compared to the distributions made to shareholders in the same periods.

Relative importance of spend on pay

	Year ended 31 December			% change	% change
	2015	2014	2013	2013/2014	2014/2015
Total employee remuneration (£m)	132.8	123.2	116.0	6.2	7.8
Total shareholder distributions (£m)	148.9	123.4	108.4	13.8	20.7

Share ownership guidelines

The company has share ownership guidelines for executive directors which in 2015 required them to acquire and maintain shares in the company with a value of 175% of basic salary. These guidelines have been increased to 200% of basic salary from 2016. Executive directors are required to retain 50% of vested LTIS and 2015 LTIS awards, net of tax, until this requirement has been reached.

The committee reviews the shareholdings of the executive directors in the light of these guidelines once a year, based on the market value of the company's shares at the date of assessment. When performing the calculation to assess progress against the guidelines, shares held by a spouse, dependant, or in an ISA or pension scheme are included, whilst unvested LTIS and 2015 LTIS awards and awards granted under the PSP and 2013 PSP are not.

The executive directors complied with these guidelines as at 31 December 2015:

Director's name	Actual share ownership as a percentage of salary
Peter Crook	420%
Andrew Fisher	357%

Details of shares held by the executive directors and their connected persons, are shown below.

Directors' share options at 31 December 2015, granted under the Provident Financial plc Employee Savings-Related Share Option Scheme (2003) and the Provident Financial Savings Related Share Option Scheme 2013 are set out in the table on page 130.

Executive directors' share ownership

			Unvested		
Director	Type	Owned outright	Subject to performance conditions	Not subject to performance conditions	Total as at 31.12.15
Peter Crook	Own name	–	–	–	–
	Held in Barclayshare Nominees Limited	82,979	–	–	82,979
	Held in YBS Trustees (SIP)	167	–	–	167
	LTIS	–	214,724	–	214,724
	PSP	–	156,336	78,168	234,504
Total		**83,146**	**371,060**	**78,168**	**532,374**
Andrew Fisher	Own name	50,297	–	–	50,297
	Held in YBS Trustees (SIP)	188	–	–	188
	LTIS	–	153,323	–	153,323
	PSP	–	95,246	47,623	142,869
Total		**50,485**	**248,569**	**47,623**	**346,677**

Annual Report on Remuneration (continued)

Defined benefits	Age as at 31 December 2015	Normal retirement age	Accrued retirement account as at 31 December[1] 2015 £'000	Accrued retirement account as at 31 December[1] 2014 £'000	Increase in retirement account[2] 2015 £'000	Increase in retirement account[2] 2014 £'000
Cash balance						
Peter Crook	**52**	60	–	–	–	–
Andrew Fisher	**57**	60	–	–	–	–
UURBS						
Peter Crook	**52**	60	1,015	792	223	239
Andrew Fisher	**57**	60	654	498	156	181

1 The transfer value of the accrued retirement account is the same as the accrued retirement account.
2 The increase in the transfer value of the accrued retirement account is the same as the increase in the retirement account. The total increases for each director in 2015 (which are included in the table of directors' remuneration on page 125) were: Peter Crook: £223,000 and Andrew Fisher: £156,000.

Peter Crook and Andrew Fisher were members of the cash balance section of the pension scheme until 3 April 2014 and 4 June 2013 (respectively) when they transferred the value of their pension rights into a Self Invested Personal Pension scheme (SIPP).

If the director dies in service, a death benefit of six times salary is payable.

Pensions and life assurance

In December 2011, the Finance Act introduced the Reduced Annual Allowance which limited the benefits that can be provided by the group's registered pension schemes on a tax-efficient basis to a value of £50,000 in any year which reduced to £40,000 from April 2014. As a result, the company has provided a range of options through which executive directors can choose to receive retirement benefits with a value equivalent to 30% of basic salary.

Pension entitlements

Details of the pension entitlements earned under the company's pension arrangements are set out above.

Provident Financial Staff Pension Scheme

No directors (2014: one) accrued retirement benefits in the year under the cash balance section of the Provident Financial Staff Pension Scheme (the pension scheme). The pension scheme is a defined benefit scheme with cash balance benefits.

Personal pension arrangements

Peter Crook and Andrew Fisher also have personal pension arrangements to which the company has made contributions in previous years but did not make any contributions in 2015 (2014: £nil).

Unfunded Unapproved Retirement Benefits Scheme

The company operates an Unfunded Unapproved Retirement Benefits Scheme (UURBS) to provide cash balance benefits to those employees affected by the Lifetime Allowance or the Reduced Annual Allowance. Details of the pension credits earned under the UURBS are set out in the table above. The accumulated UURBS credit increases each year by the lower of the increase in RPI plus 1.5% and 6.5%. At retirement, UURBS benefits will be provided in accordance with the current HMRC practice.

Cash supplement

A further option is for directors to receive a cash supplement in lieu of the benefits payable in excess of the Reduced Annual Allowance.

Audit

The elements of the directors' remuneration report (including pension entitlements and share options set out on pages 125 to 132 of this report) which are required to be audited, have been audited in accordance with the Companies Act 2006.

This Annual Report on Remuneration has been approved by the remuneration committee and the board and signed on its behalf.

Malcolm Le May
Remuneration committee chairman
23 February 2016

FINANCIAL STATEMENTS

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Consolidated income statement
For the year ended 31 December

	Note	Group 2015 £m	Group 2014 £m
Revenue	1,2	**1,113.1**	1,075.7
Finance costs	3	**(80.0)**	(77.5)
Operating costs		**(436.9)**	(491.6)
Administrative costs		**(322.6)**	(282.0)
Total costs		**(839.5)**	(851.1)
Profit before taxation	1,4	**273.6**	224.6
Profit before taxation, amortisation of acquisition intangibles and exceptional costs	1,4	**292.9**	234.4
Amortisation of acquisition intangibles	12	**(7.5)**	(2.5)
Exceptional costs	1	**(11.8)**	(7.3)
Tax charge	5	**(55.4)**	(49.0)
Profit for the year attributable to equity shareholders		**218.2**	175.6

All of the above activities relate to continuing operations.

Consolidated statement of comprehensive income
For the year ended 31 December

	Note	Group 2015 £m	Group 2014 £m
Profit for the year attributable to equity shareholders		**218.2**	175.6
Other comprehensive income:			
– fair value movement in available for sale investment	16	**17.5**	–
– fair value movements on cash flow hedges	18	**3.6**	2.2
– actuarial movements on retirement benefit asset	20	**(5.7)**	17.5
– exchange differences on translation of foreign operations		**0.7**	0.5
– tax on items taken directly to other comprehensive income	5	**(3.3)**	(4.2)
– impact of change in UK tax rate	5	**(0.2)**	0.3
Other comprehensive income for the year		**12.6**	16.3
Total comprehensive income for the year		**230.8**	191.9

Earnings per share
For the year ended 31 December

	Note	Group 2015 pence	Group 2014 pence
Basic	6	**151.8**	126.5
Diluted	6	**149.8**	124.5

Dividends per share
For the year ended 31 December

	Note	Group 2015 pence	Group 2014 pence
Proposed final dividend	7	**80.9**	63.9
Total dividend for the year	7	**120.1**	98.0
Paid in the year*	7	**103.1**	88.1

* The total cost of dividends paid in the year was £148.9m (2014: £123.4m).

Balance sheets
As at 31 December

	Note	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
ASSETS					
Non-current assets					
Goodwill	11	**71.2**	71.2	**–**	–
Other intangible assets	12	**85.2**	84.3	**–**	–
Property, plant and equipment	13	**29.5**	27.4	**7.8**	7.0
Investment in subsidiaries	14	**–**	–	**496.3**	496.3
Financial assets:					
– amounts receivable from customers	15	**218.0**	155.6	**–**	–
– trade and other receivables	19	**–**	–	**919.1**	983.8
Retirement benefit asset	20	**62.3**	56.0	**62.3**	56.0
		466.2	394.5	**1,485.5**	1,543.1
Current assets					
Financial assets:					
– available for sale investment	16	**17.5**	–	**–**	–
– amounts receivable from customers	15	**1,798.7**	1,693.6	**–**	–
– derivative financial instruments	18	**–**	0.2	**–**	–
– cash and cash equivalents	22	**153.4**	145.9	**7.0**	7.7
– trade and other receivables	19	**32.4**	24.5	**606.4**	580.5
		2,002.0	1,864.2	**613.4**	588.2
Total assets	1	**2,468.2**	2,258.7	**2,098.9**	2,131.3
LIABILITIES					
Current liabilities					
Financial liabilities:					
– bank and other borrowings	23	**(253.4)**	(135.3)	**(72.9)**	(8.6)
– trade and other payables	24	**(98.3)**	(94.3)	**(118.8)**	(130.1)
Current tax liabilities		**(50.5)**	(40.4)	**(0.5)**	(1.1)
		(402.2)	(270.0)	**(192.2)**	(139.8)
Non-current liabilities					
Financial liabilities:					
– bank and other borrowings	23	**(1,342.8)**	(1,357.7)	**(791.1)**	(901.5)
– derivative financial instruments	18	**(0.6)**	(4.4)	**(0.5)**	(4.4)
Deferred tax liabilities	21	**(14.9)**	(13.6)	**(8.8)**	(8.2)
		(1,358.3)	(1,375.7)	**(800.4)**	(914.1)
Total liabilities	1	**(1,760.5)**	(1,645.7)	**(992.6)**	(1,053.9)
NET ASSETS	1	**707.7**	613.0	**1,106.3**	1,077.4
SHAREHOLDERS' EQUITY					
Share capital	25	**30.5**	30.3	**30.5**	30.3
Share premium		**270.7**	268.3	**270.7**	268.3
Other reserves	27	**35.6**	19.0	**633.8**	629.6
Retained earnings		**370.9**	295.4	**171.3**	149.2
TOTAL EQUITY		**707.7**	613.0	**1,106.3**	1,077.4

The financial statements on pages 134 to 187 were approved and authorised for issue by the board of directors on 23 February 2016 and signed on its behalf by:

Peter Crook
Chief Executive

Andrew Fisher
Finance Director

Company Number – 668987

Statements of changes in shareholders' equity

Group	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2014		28.9	150.6	17.2	220.1	416.8
Profit for the year		–	–	–	175.6	175.6
Other comprehensive income:						
– fair value movements on cash flow hedges	18	–	–	2.2	–	2.2
– actuarial movements on retirement benefit asset	20	–	–	–	17.5	17.5
– exchange differences on translation of foreign operations		–	–	–	0.5	0.5
– tax on items taken directly to other comprehensive income	5	–	–	(0.4)	(3.8)	(4.2)
– impact of change in UK tax rate	5	–	–	–	0.3	0.3
Other comprehensive income for the year		–	–	1.8	14.5	16.3
Total comprehensive income for the year		–	–	1.8	190.1	191.9
Transactions with owners:						
– issue of share capital	25	1.4	117.7	–	–	119.1
– purchase of own shares		–	–	(0.1)	–	(0.1)
– transfer of own shares on vesting of share awards		–	–	0.2	(0.2)	–
– share-based payment charge	26	–	–	8.7	–	8.7
– transfer of share-based payment reserve on vesting of share awards		–	–	(8.8)	8.8	–
– dividends	7	–	–	–	(123.4)	(123.4)
At 31 December 2014		30.3	268.3	19.0	295.4	613.0
At 1 January 2015		**30.3**	**268.3**	**19.0**	**295.4**	**613.0**
Profit for the year		**–**	**–**	**–**	**218.2**	**218.2**
Other comprehensive income:						
– fair value movement in available for sale investment	16	**–**	**–**	**17.5**	**–**	**17.5**
– fair value movements on cash flow hedges	18	**–**	**–**	**3.6**	**–**	**3.6**
– actuarial movements on retirement benefit asset	20	**–**	**–**	**–**	**(5.7)**	**(5.7)**
– exchange differences on translation of foreign operations		**–**	**–**	**–**	**0.7**	**0.7**
– tax on items taken directly to other comprehensive income	5	**–**	**–**	**(4.5)**	**1.2**	**(3.3)**
– impact of change in UK tax rate	5	**–**	**–**	**(1.1)**	**0.9**	**(0.2)**
Other comprehensive income for the year		**–**	**–**	**15.5**	**(2.9)**	**12.6**
Total comprehensive income for the year		**–**	**–**	**15.5**	**215.3**	**230.8**
Transactions with owners:						
– issue of share capital	25	**0.2**	**2.4**	**–**	**–**	**2.6**
– purchase of own shares		**–**	**–**	**(0.3)**	**–**	**(0.3)**
– transfer of own shares on vesting of share awards		**–**	**–**	**0.1**	**(0.1)**	**–**
– share-based payment charge	26	**–**	**–**	**10.5**	**–**	**10.5**
– transfer of share-based payment reserve on vesting of share awards		**–**	**–**	**(9.2)**	**9.2**	**–**
– dividends	7	**–**	**–**	**–**	**(148.9)**	**(148.9)**
At 31 December 2015		**30.5**	**270.7**	**35.6**	**370.9**	**707.7**

The movement of £117.7m in the share premium account in 2014 was stated net of £3.1m of costs associated with the placing of ordinary shares in respect of the acquisition of Moneybarn (see note 10).

Goodwill arising on acquisitions prior to 1 January 1998 was eliminated against shareholders' funds under UK GAAP and was not reinstated on transition to IFRS. Accordingly, retained earnings are shown after directly writing off cumulative goodwill of £1.6m (2014: £1.6m). In addition, cumulative goodwill of £2.3m (2014: £2.3m) has been written off against the merger reserve in previous years.

Other reserves are further analysed in note 27.

Company	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2014		28.9	150.6	627.7	129.5	936.7
Profit for the year		–	–	–	125.1	125.1
Other comprehensive income:						
– fair value movement on cash flow hedges	18	–	–	2.3	–	2.3
– actuarial movements on retirement benefit asset	20	–	–	–	17.5	17.5
– tax on items taken directly to other comprehensive income		–	–	(0.5)	(3.8)	(4.3)
– impact of change in UK tax rate		–	–	–	0.3	0.3
Other comprehensive income for the year		–	–	1.8	14.0	15.8
Total comprehensive income for the year		–	–	1.8	139.1	140.9
Transactions with owners:						
– issue of share capital	25	1.4	117.7	–	–	119.1
– purchase of own shares		–	–	(0.1)	–	(0.1)
– transfer of own shares on vesting of share awards		–	–	0.2	(0.2)	–
– share-based payment charge	26	–	–	4.6	–	4.6
– share-based payment movement in investment in subsidiaries	14	–	–	(0.4)	–	(0.4)
– transfer of share-based payment reserve on vesting of share awards		–	–	(4.2)	4.2	–
– dividends	7	–	–	–	(123.4)	(123.4)
At 31 December 2014		30.3	268.3	629.6	149.2	1,077.4
At 1 January 2015		**30.3**	**268.3**	**629.6**	**149.2**	**1,077.4**
Profit for the year		**–**	**–**	**–**	**170.7**	**170.7**
Other comprehensive income:						
– fair value movements on cash flow hedges	18	**–**	**–**	**3.9**	**–**	**3.9**
– actuarial movements on retirement benefit asset	20	**–**	**–**	**–**	**(5.7)**	**(5.7)**
– tax on items taken directly to other comprehensive income		**–**	**–**	**(0.8)**	**1.2**	**0.4**
– impact of change in UK tax rate		**–**	**–**	**–**	**0.9**	**0.9**
Other comprehensive income for the year		**–**	**–**	**3.1**	**(3.6)**	**(0.5)**
Total comprehensive income for the year		**–**	**–**	**3.1**	**167.1**	**170.2**
Transactions with owners:						
– issue of share capital	25	**0.2**	**2.4**	**–**	**–**	**2.6**
– purchase of own shares		**–**	**–**	**(0.3)**	**–**	**(0.3)**
– transfer of own shares on vesting of share awards		**–**	**–**	**0.1**	**(0.1)**	**–**
– share-based payment charge	26	**–**	**–**	**5.3**	**–**	**5.3**
– transfer of share-based payment reserve on vesting of share awards		**–**	**–**	**(4.0)**	**4.0**	**–**
– dividends	7	**–**	**–**	**–**	**(148.9)**	**(148.9)**
At 31 December 2015		**30.5**	**270.7**	**633.8**	**171.3**	**1,106.3**

In accordance with the exemption allowed by section 408 of the Companies Act 2006, the company has not presented its own income statement or statement of other comprehensive income. The retained profit for the financial year reported in the financial statements of the company was £170.7m (2014: £125.1m).

Other reserves are further analysed in note 27.

Financial statements

Statements of cash flows

For the year ended 31 December

	Note	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Cash flows from operating activities					
Cash generated from/(used in) operations	31	**202.0**	221.5	**(48.0)**	(33.9)
Finance costs paid		**(73.0)**	(72.3)	**(59.2)**	(62.0)
Finance income received		**–**	–	**83.8**	83.3
Tax paid		**(47.5)**	(44.9)	**–**	–
Net cash generated from/(used in) operating activities		**81.5**	104.3	**(23.4)**	(12.6)
Cash flows from investing activities					
Purchase of intangible assets	12	**(15.8)**	(7.4)	**–**	–
Purchase of property, plant and equipment	13	**(11.2)**	(11.6)	**(2.3)**	(0.7)
Proceeds from disposal of property, plant and equipment	13	**1.4**	1.1	**0.1**	0.3
Acquisition of Moneybarn	10	**–**	(120.0)	**–**	(120.0)
Long-term loans repaid by/(provided to) subsidiaries		**–**	–	**64.7**	(53.5)
Dividends received from subsidiaries		**–**	–	**153.3**	112.5
Net cash (used in)/generated from investing activities		**(25.6)**	(137.9)	**215.8**	(61.4)
Cash flows from financing activities					
Proceeds from bank and other borrowings		**344.2**	341.0	**60.0**	123.7
Repayment of bank and other borrowings		**(254.9)**	(277.2)	**(116.8)**	(12.1)
Dividends paid to company shareholders	7	**(148.9)**	(123.4)	**(148.9)**	(123.4)
Proceeds from issue of share capital	25	**2.6**	119.1	**2.6**	119.1
Purchase of own shares	27	**(0.3)**	(0.1)	**(0.3)**	(0.1)
Repayment of loans from subsidiaries		**–**	–	**–**	(38.8)
Net cash (used in)/generated from financing activities		**(57.3)**	59.4	**(203.4)**	68.4
Net (decrease)/increase in cash, cash equivalents and overdrafts		**(1.4)**	25.8	**(11.0)**	(5.6)
Cash, cash equivalents and overdrafts at beginning of year		**140.7**	109.7	**5.1**	10.7
Cash and cash equivalents acquired with Moneybarn	10	**–**	5.2	**–**	–
Cash, cash equivalents and overdrafts at end of year		**139.3**	140.7	**(5.9)**	5.1
Cash, cash equivalents and overdrafts at end of year comprise:					
Cash at bank and in hand	22	**153.4**	145.9	**7.0**	7.7
Overdrafts (held in bank and other borrowings)	23	**(14.1)**	(5.2)	**(12.9)**	(2.6)
Total cash, cash equivalents and overdrafts		**139.3**	140.7	**(5.9)**	5.1

Cash at bank and in hand includes £134.2m (2014: £121.4m) in respect of the liquid assets buffer, including other liquidity resources, held by Vanquis Bank in accordance with the Prudential Regulation Authority's (PRA) liquidity regime (see note 22). This buffer is not available to finance the group's day-to-day operations.

The statutory cash flow statement reflects the cash inflow/(outflow) after funding the growth in the receivables book. The group's financial model is to fund the receivables book through a combination of 20% equity and 80% debt. Accordingly, to assess the group's capital generation to pay dividends to the company's shareholders, capital generation is calculated as net cash generated from/(used in) operating activities, after assuming that 80% of the growth in receivables is funded with borrowings, less net capital expenditure. Capital generated in 2015 on this basis was £189.9m (2014: £175.5m) compared with a dividend payable in respect of 2015 of £173.6m (2014: £141.3m).

Statement of accounting policies

General information

The company is a public limited company incorporated and domiciled in the UK. The address of its registered office is No. 1 Godwin Street, Bradford, BD1 2SU. The company is listed on the London Stock Exchange.

Basis of preparation

The financial statements are prepared in accordance with IFRS adopted for use in the European Union (EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of derivative financial instruments and Visa share holdings to fair value. In preparing the financial statements, the directors are required to use certain critical accounting estimates and are required to exercise judgement in the application of the group and company's accounting policies.

The group and company's principal accounting policies under IFRS, which have been consistently applied to all the years presented unless otherwise stated, are set out below:

(a) New and amended standards adopted by the group and company:

Defined benefit plans: Employee contributions (amendments to IAS 19 (Nov 2013))' simplifies the accounting for contributions that are independent of the number of years of employee service (eg employee contributions that are calculated according to a fixed percentage of salary). The amendment has not had a material impact on the group or company.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not early adopted:

'IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The final version of the standard was issued in July 2014. The standard primarily impacts the classification and measurement of financial assets and liabilities and introduces the 'expected loss' model for the measurement of the impairment of financial assets so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. The group and company are in the process of assessing the impact of the standard and will adopt the standard in line with the mandatory effective date of 1 January 2018, subject to endorsement by the EU.

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and provides a model for the identification of lease arrangements and the treatment in the financial statements of both lessees and lessors. The standard distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard requires the recognition of a lease liability, being the present value of the lease payments, and a right-to-use asset which will initially be recognised at the same value of the lease liability. The group and company are in the process of assessing the impact of the standard and will adopt from the expected effective date of 1 January 2019, subject to endorsement by the EU.

Basis of consolidation

The consolidated income statement, consolidated statement of comprehensive income, balance sheet, statement of changes in shareholders' equity, statement of cash flows and notes to the financial statements include the financial statements of the company and all of its subsidiary undertakings drawn up from the date control passes to the group until the date control ceases.

Control is achieved when the group:

> Has the power over the investee;

> Is exposed, or has rights, to variable return from its involvement with the investee; and

> Has the ability to use its power to affect returns.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

The accounting policies of subsidiaries are consistent with the accounting policies of the group.

Revenue

Revenue comprises interest and fee income earned by Vanquis Bank and interest income earned by the Consumer Credit Division (CCD) and Moneybarn.

Revenue excludes value added tax and intra-group transactions.

Within Vanquis Bank, interest is calculated on credit card advances to customers using the effective interest rate on the daily balance outstanding. Annual fees charged to customers' credit card accounts are recognised as part of the effective interest rate. Penalty charges and other fees are recognised at the time the charges are made to customers on the basis that performance is complete.

Within CCD and Moneybarn, revenue on customer receivables is recognised using an effective interest rate. The effective interest rate is calculated using estimated cash flows, being contractual payments adjusted for the impact of customers repaying early but excluding the anticipated impact of customers paying late or not paying at all. Directly attributable incremental issue costs are also taken into account in calculating the effective interest rate. Interest income continues to be accrued on impaired receivables using the original effective interest rate applied to the loan's carrying value.

Finance costs

Finance costs principally comprise the interest on bank and other borrowings (including retail deposits) and, for the company, on intra-group loan arrangements, and are recognised on an effective interest rate basis. Finance costs also include the fair value movement on those derivative financial instruments held for hedging purposes which do not qualify for hedge accounting under IAS 39.

Dividend income

Dividend income is recognised in the income statement when the company's right to receive payment is established.

Statement of accounting policies (continued)

Goodwill

All acquisitions are accounted for using the purchase method of accounting.

Goodwill is an intangible asset and is measured as the excess of the fair value of the consideration over the fair value of the acquired identifiable assets, liabilities and contingent liabilities at the date of acquisition. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units which are expected to benefit from the business combination in which the goodwill arose.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment is tested by comparing the carrying value of the asset to the discounted expected future cash flows from the relevant cash-generating unit. Expected future cash flows are derived from the group's latest budget projections and the discount rate is based on the group's weighted average cost of capital at the balance sheet date.

Goodwill arising on acquisitions prior to 1 January 1998 was eliminated against shareholders' funds under UK GAAP and was not reinstated on transition to IFRS. On disposal of a business, any such goodwill relating to the business will not be taken into account in determining the profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. Impairment is calculated by comparing the carrying value of the investment with the higher of the net asset value of the relevant subsidiary and its discounted expected future cash flows.

Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The leases entered into by the group and company are solely operating leases. Costs in respect of operating leases are charged to the income statement on a straight-line basis over the lease term.

Other intangible assets

Other intangible assets include acquisition intangibles in respect of the broker relationships at Moneybarn and stand-alone computer software and computer software development costs across the group.

The fair value of Moneybarn's broker relationships on acquisition was estimated by discounting the expected future cash flows from Moneybarn's core broker relationships over their estimated useful economic life which was deemed to be 10 years. The asset is being amortised on a straight-line basis over its estimated useful life.

Computer software and computer software development assets represent the costs incurred to acquire or develop software and bring it into use. Directly attributable costs incurred in the development of software are capitalised as an intangible asset if the software will generate future economic benefits. Directly attributable costs include the cost of software development employees and an appropriate portion of relevant directly attributable overheads.

Computer software and computer software development costs are amortised on a straight-line basis over their estimated useful economic life which is generally estimated to be between three and 10 years. The residual values and economic lives of intangible assets are reviewed by management at each balance sheet date.

Other intangible assets are valued at cost less subsequent amortisation. Amortisation is charged to the income statement as part of administrative costs.

Foreign currency translation

Items included in the financial statements of each of the group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). The group's subsidiaries primarily operate in the UK and Republic of Ireland, with a pilot credit card operation in Poland up until the sale of the receivables book on 1 April 2015. The consolidated and company financial statements are presented in sterling, which is the company's functional and presentational currency.

Transactions that are not denominated in the group's functional currency are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the exchange rates ruling at the balance sheet date. Differences arising on translation are charged or credited to the income statement, except when deferred in equity as effective cash flow hedges.

If a foreign operation were to be disposed of, the cumulative amount of the differences arising on translation recognised in other comprehensive income would be recognised in the income statement when the gain or loss on disposal is recognised.

Amounts receivable from customers

Customer receivables are initially recorded at the amount advanced to the customer plus directly attributable issue costs. Subsequently, receivables are increased by revenue and reduced by cash collections and any deduction for impairment.

The group assesses whether there is objective evidence that customer receivables are impaired at each balance sheet date. The principal criteria for determining whether there is objective evidence of impairment is delinquency in contractual payments.

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

Separate provisions are raised where forbearance is provided to the customer and alternative payment arrangements are established. Accounts under payment arrangements are separately identified according to the type of payment arrangement. The carrying value of receivables under each type of payment arrangement is calculated using historical cash flows under that payment arrangement, used to predict future expected cash flows which are discounted at the original effective interest rate.

Within the weekly home credit and Satsuma businesses of CCD, objective evidence of impairment is based on the payment performance of loans in the previous 12 weeks as this is considered to be the most appropriate indicator of credit quality. Loans are deemed to be impaired when the cumulative amount of two or more contractual weekly payments have been missed in the previous 12-week period since only at this point do the expected future cash flows from loans deteriorate significantly. Loans with one missed weekly payment over the previous 12-week period are not deemed to be impaired. The amount of impairment loss is calculated on a portfolio basis by reference to arrears stages and is measured as the difference between the carrying value of the loans and the present value of estimated future cash flows discounted at the original effective interest rate. Subsequent cash flows are regularly compared to estimated cash flows to ensure that the estimates are sufficiently accurate for impairment provisioning purposes.

In Vanquis Bank and Moneybarn, impairment is recorded through the use of an allowance account whilst in CCD impairment charges are deducted directly from the carrying value of receivables.

Impairment is charged to the income statement as part of operating costs.

Property, plant and equipment

Property, plant and equipment is shown at cost less accumulated depreciation and impairment, except for land, which is shown at cost less impairment.

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

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

	%	Method
Land	Nil	–
Freehold and long leasehold buildings	2½	Straight line
Short leasehold buildings	Over the lease period	Straight line
Equipment (including computer hardware)	10 to 33⅓	Straight line
Motor vehicles	25	Reducing balance

The residual values and useful economic lives of all assets are reviewed, and adjusted if appropriate, at each balance sheet date. All items of property, plant and equipment, other than land, are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Land is subject to an annual impairment test. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use and its fair value less costs to sell.

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

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

Available for sale investments

Available for sale (AFS) financial assets relate to equity holdings which are measured at fair value in the balance sheet as a reliable estimate of the fair value can be determined. Fair value changes on AFS assets are recognised directly in equity through other comprehensive income, except for impairment losses and foreign exchange gains or losses which are recognised through the income statement. The fair value of AFS monetary assets denominated in foreign currency are determined through translation at the spot rate at the balance sheet date.

Dividends on AFS equity instruments are recognised in profit and loss when the group's right to receive the dividends is established.

The cumulative gain or loss that is recognised in equity is recycled to the income statement on disposal of the equity holding.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand which includes amounts invested in the Bank of England account and UK government gilts held in accordance with the Prudential Regulation Authority's (PRA) liquidity regime. Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances.

Derivative financial instruments

The group and company use derivative financial instruments, principally interest rate swaps, cross-currency swaps and forward contracts, to manage the interest rate and foreign exchange rate risk arising from the group's underlying business operations. No transactions of a speculative nature are undertaken.

All derivative financial instruments are assessed against the hedge accounting criteria set out in IAS 39, 'Financial instruments: Recognition and measurement'. Derivative financial instruments that meet the hedge accounting requirements of IAS 39 are designated as either: hedges of the fair value of recognised assets, liabilities or firm commitments (fair value hedges); hedges of highly probable forecast transactions (cash flow hedges); or hedges of net investments in foreign operations.

The relationship between hedging instruments and hedged items is documented at the inception of a transaction, as well as the risk management objectives and strategy for undertaking various hedging transactions. The assessment of whether the derivative financial instruments used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items is documented, both at the hedge inception and on an ongoing basis.

Derivative financial instruments are initially recognised at their fair value on the date a derivative contract is entered into and are subsequently re-measured at each reporting date to their fair value. Where derivative financial instruments do not qualify for hedge accounting, movements in the fair value are recognised immediately within the income statement. Where hedge accounting criteria have been met, the resultant gain or loss on the derivative financial instrument is recognised as follows:

Statement of accounting policies (continued)

Fair value hedges

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the income statement as part of finance costs, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges are recognised in the hedging reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement as part of finance costs. Amounts deferred in equity are recognised in the income statement when the income or expense on the hedged item is recognised in the income statement.

Hedge accounting for both fair value and cash flow hedges is discontinued when:

> it is evident from testing that a derivative financial instrument is not, or has ceased to be, highly effective as a hedge; or

> the derivative financial instrument expires, or is sold, terminated or exercised; or

> the underlying hedged item matures or is sold or repaid.

When a cash flow hedging instrument expires or is sold, or when a cash flow hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss deferred in equity at that time is immediately transferred to the income statement.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 18. Movements on the hedging reserve in shareholders' equity are shown in note 27. The full fair value of a derivative financial instrument is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months from the balance sheet date and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months from the balance sheet date.

Net investment hedges

The group uses a combination of borrowings denominated in overseas currencies and foreign currency forward contracts as a hedge against the translation exposure on the parent's net investment in overseas branches. Where the hedge is fully effective at hedging the variability in the net assets of those operations and/or the parent's investment caused by changes in exchange rates, the changes in value of the borrowings and forward contracts are recognised in the statement of comprehensive income and accumulated in the hedging reserve. When a hedge is no longer deemed to be highly effective, the ineffective part of any change in value caused by changes in exchange rates is recognised in the income statement with previous gains or losses deferred within equity being recycled to the income statement.

Borrowings

Borrowings are recognised initially at fair value, being issue proceeds less any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds less transaction costs and the redemption value is recognised in the income statement over the expected life of the borrowings using the effective interest rate.

Where borrowings are the subject of a fair value hedge, changes in the fair value of the borrowing that are attributable to the hedged risk are recognised in the income statement and a corresponding adjustment made to the carrying value of borrowings.

Borrowings are classified as current liabilities unless the group or company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Dividends paid

Dividend distributions to the company's shareholders are recognised in the group and company's financial statements as follows:

> Final dividend: when approved by the company's shareholders at the annual general meeting.

> Interim dividend: when paid by the company.

Retirement benefits

Defined benefit pension schemes

The charge in the income statement in respect of defined benefit pension schemes comprises the actuarially assessed current service cost of working employees, together with the interest on pension liabilities offset by the interest on pension scheme assets. All charges are recognised within administrative costs in the income statement.

The retirement benefit asset recognised in the balance sheet in respect of defined benefit pension schemes is the fair value of the schemes' assets less the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised past service costs. A retirement benefit asset is recognised to the extent that the group and company have an unconditional right to a refund of the asset or if it will be recovered in future years as a result of reduced contributions to the pension scheme.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the statement of comprehensive income.

Past service costs are recognised immediately in the income statement, unless changes to the pension schemes are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past service costs are amortised on a straight-line basis over the vesting period.

Defined contribution pension schemes

Contributions to defined contribution pension schemes are charged to the income statement on an accruals basis.

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.

Where any group company purchases the company's share capital, the consideration paid, including any directly attributable incremental costs, is included within a treasury shares reserve and deducted from equity until the shares are no longer held by a group company or cancelled. Where such shares are reissued outside of the group, any consideration received, net of any directly attributable transaction costs, is included within the treasury shares reserve.

Share-based payments

(a) Equity-settled schemes:

The company grants options under employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)) and makes awards under the Performance Share Plan (PSP) and the Long Term Incentive Scheme (LTIS). All of these schemes are equity-settled.

The cost of providing options and awards to group and company employees is charged to the income statement of the company over the vesting period of the related options and awards. The corresponding credit is made to a share-based payment reserve within equity. The grant by the company of options and awards over its equity instruments to the employees of subsidiary undertakings is treated as an investment in the company's financial statements. The fair value of employee services received, measured by reference to the fair value at the date of grant, is recognised over the vesting period as an increase in investments in subsidiary undertakings, with a corresponding credit to the share-based payment reserve within equity.

The cost of options and awards is based on their fair value. For PSP schemes, the performance conditions are based on earnings per share (EPS). Accordingly, the fair value of options and awards is determined using a binomial option pricing model which is a suitable model for valuing options with internal related targets such as EPS. A binomial model is also used for calculating the fair value of SAYE options which have no performance conditions attached other than continued employment by the company. The value of the charge is adjusted at each balance sheet date to reflect lapses and expected or actual levels of vesting, with a corresponding adjustment to the share-based payment reserve.

For LTIS schemes, performance conditions are based on either divisional profit before tax, EPS or Total Shareholder Return (TSR) targets. Accordingly, the fair value of awards is determined using a combination of the binomial and Monte Carlo option pricing models. The value of the charge is adjusted at each balance sheet date to reflect lapses. Where the Monte Carlo option pricing model is used to determine fair value of the TSR component, no adjustment is made to reflect expected or actual levels of vesting as the probability of the awards vesting is taken into account in the initial calculation of the fair value of the awards.

A transfer is made from the share-based payment reserve to retained earnings when options and awards vest or lapse. In respect of the SAYE options, the proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium when the options are exercised.

(b) Cash-settled schemes:

The company also grants awards under the Provident Financial Equity Plan (PFEP) to eligible employees based on a percentage of their salary. The cost of the awards is based on the performance conditions of either divisional profit before tax, EPS, TSR or share price growth. The scheme is cash settled.

The cost of the award is charged to the income statement over the vesting period and a corresponding credit is made within liabilities. The value of the charge is adjusted at each balance sheet date to reflect expected levels of vesting.

Taxation

The tax charge represents the sum of current and deferred tax. Current tax is calculated based on taxable profit for the year using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is also provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Exceptional items

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

Supplementary information

In order to assist shareholders and other users of the group's financial statements, supplementary commentary has been provided within the group's financial statements within highlighted boxes. This supplementary information does not form part of the statutory, audited financial statements.

Statement of accounting policies (continued)

Key assumptions and estimates

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

Amounts receivable from customers (£2,016.7m)

The group reviews its portfolio of loans and receivables for impairment at each balance sheet date. For the purposes of assessing the impairment of customer loans and receivables, customers are categorised into arrears stages as this is considered to be the most reliable indication of future payment performance. The group makes judgements to determine whether there is objective evidence which indicates that there has been an adverse effect on expected future cash flows.

Customer accounts in Vanquis Bank, Moneybarn and glo are deemed to be impaired when one contractual monthly payment has been missed. In the weekly home credit business and Satsuma, receivables are deemed to be impaired when the cumulative amount of two or more contractual weekly payments have been missed in the previous 12 weeks, since only at this point do the expected future cash flows from loans deteriorate significantly.

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

To the extent that the net present value of estimated future cash flows differs by +/– 1%, it is estimated that the amounts receivable from customers would be approximately £20m (2014: £18m) higher/lower.

Moneybarn goodwill (£71.2m) and acquisition intangible (£65.0m)

The goodwill of £71.2m in respect of Moneybarn represents the surplus of the fair value of consideration over the fair value of identifiable assets and liabilities on the date of acquisition. The fair value of identifiable assets included a valuation of an acquisition intangible of £75.0m attaching to Moneybarn's broker relationships as the relationships are an important influence on the revenue generating capacity of the business.

The broker relationships were valued using a dividend discount model on the forecast surplus cash flows generated by Moneybarn's core broker relationships over their estimated useful life of 10 years.

In accordance with IFRS 3 'Business combinations', the goodwill arising on acquisition of Moneybarn is subject to an annual impairment review. The impairment review is conducted by comparing the discounted estimated future cash flows of Moneybarn, including those derived from broker relationships, with the carrying value of goodwill and the acquisition intangible in the financial statements.

The impairment review conducted by management reflects a number of key judgements and estimates, which have a material effect on the outcome of the impairment review and therefore the carrying value of goodwill and the acquisition intangible. These include:

> Cash flow forecasts have been extracted from the budget produced by Moneybarn, which involves a number of judgements and estimates, particularly in respect of new business volumes, collections performance and the cost base of the business.

> The surplus cash flows generated by Moneybarn have been calculated as those over and above the equity retained in the business to meet the group's target capital structure. The group's target capital structure of 20% equity and 80% debt is considered to be an appropriate capital structure for the Moneybarn business.

> The discount rate applied to the forecast surplus cash flows has been estimated based on the group's weighted average cost of capital.

The nature and inherent uncertainty relating to the above judgements and estimates means that the forecast cash flows may be materially different from actual cash flows. A material future reduction in forecast surplus cash flows from Moneybarn may necessitate a material impairment charge to goodwill and/or the acquisition intangible in future years.

Tax (current tax liabilities £50.5m, deferred tax liabilities £14.9m)

The tax treatment of certain items cannot be determined precisely until tax audits or enquiries have been completed by the tax authorities. In some instances, this can be years after the item has first been reflected in the financial statements. The group recognises liabilities for anticipated tax audit and enquiry issues based on an assessment of the probability of such liabilities falling due. If the outcome of such audits is that the final liability is different from the amount originally estimated, such differences will be recognised in the period in which the tax audit or enquiry is concluded. Any differences may necessitate a material adjustment to the level of tax balances held in the balance sheet.

The group carries a current tax provision which is sufficient to cover all legacy outstanding corporation tax matters which have not yet been agreed with HMRC, as well as a provision for other possible tax audit and enquiry issues based on an assessment of the probability of such liabilities falling due.

If the probability assessment of uncertain tax liabilities was adjusted by +/– 5%, it is estimated that the group's tax liabilities would be £0.5m (2014: £1.3m) higher/lower.

Retirement benefit asset (£62.3m)

The valuation of the retirement benefit asset is dependent upon a series of assumptions; the key assumptions being mortality rates, the discount rate applied to liabilities and inflation rates.

Mortality estimates are based on standard mortality tables, adjusted where appropriate to reflect the group's own expected experience. Discount rates are based on the market yields of high quality corporate bonds which have terms closely linked with the estimated term of the retirement benefit obligation. Inflation assumptions reflect long-term market expectations for retail price inflation.

Sensitivity analysis of the group's main assumptions is set out in note 20.

Financial and capital risk management

Financial risk management

The group's activities expose it to a variety of financial risks, which can be categorised as credit risk, liquidity risk, interest rate risk and foreign exchange rate risk. 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 risk management is overseen by the risk advisory committee.

Further details of the group's risk management framework are described on pages 99 to 101.

(a) Credit risk

Credit risk is the risk that the group will suffer loss in the event of a default by a customer or a bank counterparty. A default occurs when the customer or bank fails to honour repayments as they fall due.

(i) Amounts receivable from customers

The group's maximum exposure to credit risk on amounts receivable from customers as at 31 December 2015 is the carrying value of amounts receivable from customers of £2,016.7m (2014: £1,849.2m).

Vanquis Bank

Credit risk within Vanquis Bank is managed by the Vanquis Bank credit committee which meets at least quarterly and is responsible for ensuring that the approach to lending is within sound risk and financial parameters and that key metrics are reviewed to ensure compliance with policy.

A customer's risk profile and credit line is evaluated at the point of application and at various times during the agreement. Internally generated scorecards based on historic payment patterns of customers are used to assess the applicant's potential default risk and their ability to manage a specific credit line. For new customers, the scorecards incorporate data from the applicant, such as income and employment and data from an external credit bureau. Each potential new customer receives a welcome call from contact centre staff to verify details and complete the underwriting process. Initial credit limits are low, typically between £250 and £500 and the maximum credit limit is £3,500. For existing customers, the scorecards also incorporate data on actual payment performance and product utilisation and take data from an external credit bureau each month to refresh customers' payment performance position with other lenders' data. Credit lines can go up as well as down according to this point-in-time risk assessment.

Arrears management is a combination of central letters, inbound and outbound telephony, SMS, email and outsourced debt collection agency activities. Contact is made with the customer to discuss the reasons for non-payment and specific strategies are employed to support the customer in returning to a good standing or appropriate forbearance arrangements are put in place.

CCD

Credit risk within CCD is managed by the CCD credit committee which meets at least every two months and is responsible for approving credit control policy and decisioning strategy.

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

The loans offered by the weekly home credit business are short-term, typically a contractual period of around a year, with an average value of approximately £500. The loans are underwritten in the home by an agent with emphasis placed on any previous lending experience with the customer and the agent's assessment of the credit risk based on a completed application form and the home visit. Once a loan has been made, the agent typically visits the customer weekly, to collect payment. The agent is well placed to identify signs of strain on a customer's income and can moderate lending accordingly. Equally, the regular contact and professional relationship that the agent has with the customer allows them to manage customers' repayments effectively even when the household budget is tight. This can be in the form of taking part-payments, allowing missed payments or occasionally restructuring the debt in order to maximise cash collections.

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

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

Financial and capital risk management (continued)

Financial risk management (continued)

Moneybarn

Credit risk within Moneybarn is managed by the Moneybarn credit committee which meets at least monthly and is responsible for approving underwriting parameters, decisioning strategy and credit control policy.

A customer's credit risk profile and ability to afford the proposed contract is initially evaluated both at the point of application, and subsequently should the customer fall into arrears. A scorecard based on historic payment patterns of customers is used to assess the applicant's potential default risk. The scorecard incorporates data from the applicant, such as income and employment, and data from an external credit bureau. The application assessment process involves verification of key aspects of the customer data. Certain policy rules including customer age, proposed loan size and vehicle type are also assessed in the decisioning process, as well as affordability checks to ensure that, at the time of application, the customer can afford the loan repayments.

Arrears management is conducted by way of a combination of letters, inbound and outbound telephony, SMS, email and outsourced debt collection agency activities. Contact is made with the customer to discuss the reasons for non-payment and specific strategies are employed to support the customer in returning to a good standing and retaining use of the vehicle. These include appropriate forbearance arrangements, or where the contract has become unsustainable for the customer then an appropriate exit strategy is implemented.

(ii) Bank counterparties

The group's maximum exposure to credit risk on bank counterparties as at 31 December 2015 was £32.4m (2014: £12.1m).

Counterparty credit risk arises as a result of cash deposits placed with banks and the use of derivative financial instruments with banks and other financial institutions which are used to hedge interest rate risk and foreign exchange rate risk.

Counterparty credit risk is managed by the group's treasury committee and is governed by a board-approved counterparty policy which ensures that the group's cash deposits and derivative financial instruments are only made with high-quality counterparties with the level of permitted exposure to a counterparty firmly linked to the strength of its credit rating. In addition, there is a maximum exposure limit for all institutions, regardless of credit rating. This is linked to the group's regulatory capital base in line with the group's regulatory reporting requirements on large exposures to the PRA.

(b) Liquidity risk

Liquidity risk is the risk that the group will have insufficient liquid resources available to fulfil its operational plans and/or to meet its financial obligations as they fall due.

Liquidity risk is managed by the group's centralised treasury department through daily monitoring of expected cash flows in accordance with a board-approved group funding and liquidity policy. This process is monitored regularly by the treasury committee.

The group's funding and liquidity policy is designed to ensure that the group is able to continue to fund the growth of the business. The group therefore maintains headroom on its committed borrowing facilities to fund growth and contractual maturities for at least the following 12 months, after assuming that Vanquis Bank will fully funded itself through retail deposits and repay its intercompany loan from Provident Financial plc. As at 31 December 2015, the group's committed borrowing facilities had a weighted average period to maturity of 2.6 years (2014: 3.1 years) and the headroom on these committed facilities amounted to £222.3m (2014: £111.5m).

The group is less exposed than other mainstream lenders to liquidity risk as the loans issued by the home credit business are of short-term duration (typically around one year), whereas the group's borrowings extend over a number of years.

As a PRA-regulated institution, Vanquis Bank is required to maintain a liquid assets buffer, and other liquid resources, in order to ensure that it has sufficient liquid resources to fulfil its operational plans and meet its financial obligations as they fall due. As at 31 December 2015, the liquid assets buffer, including other liquidity resources, held by Vanquis Bank amounted to £134.2m (2014: £121.4m).

In addition, from 1 October 2015 (with a transitional period extending to 1 January 2018), the group and Vanquis Bank have been required to meet the liquidity coverage ratio (LCR). The LCR requires institutions to match net liquidity outflows during a 30-day period with a buffer of 'high quality' liquid assets.

The group and Vanquis Bank developed systems and controls to monitor and forecast the LCR and have been submitting regulatory reports on the ratio since 1 January 2014. Both the group and Vanquis Bank continue to meet the LCR requirements.

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 shown below.

Financial risk management (continued)

The table below shows the future cash payable under current drawings. This reflects both the interest payable and the repayment of the borrowing on maturity. Due to the seasonal nature of the home credit business, drawings under the group's revolving bank facilities are typically drawn for only three months at any time despite having the ability to draw the borrowings for much longer under the committed borrowing facility. In the table below, the cash flows of borrowings made under the group's syndicated revolving bank facility are required to be shown as being due within one year, despite the group having the ability to redraw these amounts until the contractual maturity of the underlying facility in May 2018.

Financial liabilities

2015 – group	Repayable on demand £m	< 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Bank and other borrowings:						
– bank facilities	14.1	161.1	–	–	–	175.2
– senior public bonds	–	20.0	20.0	290.0	–	330.0
– private placement loan notes	–	16.1	16.1	92.2	25.4	149.8
– retail bonds	–	71.0	137.3	50.9	138.1	397.3
– retail deposits	–	189.5	163.3	434.4	–	787.2
Total bank and other borrowings	14.1	457.7	336.7	867.5	163.5	1,839.5
Derivative financial instruments – settled net	–	0.8	–	–	–	0.8
Trade and other payables	–	98.3	–	–	–	98.3
Total	14.1	556.8	336.7	867.5	163.5	1,938.6

Financial assets

2015 – group	Repayable on demand £m	< 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Derivative financial instruments – settled net	–	0.1	–	–	–	0.1
Trade and other receivables	–	32.4	–	–	–	32.4
Total	–	32.5	–	–	–	32.5

Financial liabilities

2014 – group	Repayable on demand £m	< 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Bank and other borrowings:						
– bank facilities	5.2	288.7	–	–	–	293.9
– senior public bonds	–	20.0	20.0	310.0	–	350.0
– private placement loan notes	–	6.4	16.0	79.8	51.6	153.8
– subordinated loan notes	–	6.3	–	–	–	6.3
– retail bonds	–	17.9	67.9	145.8	98.9	330.5
– retail deposits	–	130.8	146.7	352.1	–	629.6
Total bank and other borrowings	5.2	470.1	250.6	887.7	150.5	1,764.1
Derivative financial instruments – settled net	–	3.2	0.7	–	–	3.9
Trade and other payables	–	94.3	–	–	–	94.3
Total	5.2	567.6	251.3	887.7	150.5	1,862.3

Financial assets

2014 – group	Repayable on demand £m	< 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Derivative financial instruments – settled net	–	0.2	–	–	–	0.2
Trade and other receivables	–	24.5	–	–	–	24.5
Total	–	24.7	–	–	–	24.7

Financial and capital risk management (continued)

Financial risk management (continued)

(c) Interest rate risk

Interest rate risk is the risk of a change in external interest rates which leads to an increase in the group's cost of borrowing.

The group's exposure to movements in interest rates is managed by the treasury committee and is governed by a board-approved interest rate hedging policy which forms part of the group's treasury policies.

The group seeks to limit the net exposure to changes in interest rates. This is achieved through a combination of issuing fixed-rate debt and by the use of derivative financial instruments such as interest rate swaps.

A 2% movement in the interest rate applied to borrowings during 2015 and 2014 would not have had a material impact on the group's profit before taxation or equity as the group's interest rate risk was substantially hedged.

(d) Foreign exchange rate risk

Foreign exchange rate risk is the risk of a change in foreign currency exchange rates leading to a reduction in profits or equity.

The group's exposure to movements in foreign exchange rates is monitored monthly by the treasury committee and is governed by a board-approved foreign exchange rate risk management policy which forms part of the group's treasury policies.

The group's exposures to foreign exchange rate risk during 2015 arose from: (i) the home credit operations in the Republic of Ireland which are hedged by matching euro-denominated net assets with euro-denominated borrowings or forward contracts as closely as practicable; (ii) the Vanquis Bank pilot operations in Poland, which was hedged by matching zloty-denominated net assets with zloty-denominated borrowings or forward contracts as closely as practicable; and (iii) the available for sale investment related to Vanquis Bank's interest in Visa Europe which consists of upfront euro cash consideration, which has been hedged subsequent to the year end through matching the cash consideration with euro-denominated borrowings, and deferred consideration of preferred stock which is convertible into US dollar-denominated Class A common stock of Visa Inc on completion of the transaction. Due to the inherent uncertainty of the valuation and timing of completion, the valuation of the common stock is not hedged.

As at 31 December 2015, a 2% movement in the sterling to euro exchange rate would have led to a £1.1m (2014: £1.1m) movement in customer receivables with an opposite movement of £1.1m (2014: £1.1m) in external borrowings. Due to the natural hedging of matching euro-denominated assets with euro-denominated liabilities, there would have been a minimal impact on reported profits and equity (2014: £nil).

As at 31 December 2015, a 2% movement in the sterling to euro exchange rate would have led to a £0.3m (2014: £nil) movement in the available for sale investment and a £0.3m impact on reported profits and equity (2014: £nil). A hedge matching the asset with euro-denominated borrowings was put in place subsequent to the year-end, which would have reduced the impact to a £0.2m (2014: £nil) movement in external borrowings and a £0.1m impact on reported profits and equity (2014: £nil) related to the unhedged deferred consideration.

As at 31 December 2015, a 2% movement in the sterling to US dollar exchange rate would have led to a £0.1m (2014: £nil) movement in the available for sale investment. Due to the US dollar element relating to the unhedged deferred consideration, there would have been a £0.1m (2014: £nil) impact on reported profits and equity (2014: £nil).

As at 31 December 2015, a 2% movement in the sterling to zloty exchange rate would have led to a £nil (2014: £0.3m) movement in customer receivables with an opposite movement of £nil (2014: £0.3m) in the borrowings. Due to the net investment hedge in place, there would have been no impact on reported profits or equity in 2015 (2014: £nil). The cumulative foreign exchange differences which have been recognised within other comprehensive income will be recycled to the income statement on liquidation of the Vanquis Bank pilot operation in Poland.

(e) Market risk

Market risk is the risk of loss due to adverse market movements caused by active trading positions taken in interest rates, foreign exchange markets, bonds and equities.

The group's corporate policies do not permit it to undertake position taking or trading books of this type and therefore it does not do so.

Capital risk management

The group's objective in respect of capital risk management is to maintain an efficient capital structure whilst satisfying the requirements of the group's banking covenants and the regulatory capital requirements set by the PRA. The group primarily manages its capital base against two measures as described below:

(a) Gearing

In order to maintain an efficient capital structure, the group has a maximum target gearing ratio of 3.5 times. This provides a comfortable level of headroom against the group's banking covenant of 5.0 times and regulatory capital requirements. The maximum target gearing ratio of 3.5 times is fully aligned with the group's target of distributing 80% of post-tax earnings by way of dividends whilst retaining sufficient capital to support receivables growth consistent with management's medium-term growth plans for the group.

As at 31 December 2015, the gearing ratio stood at 2.2 times (2014: 2.4 times), calculated as follows:

Group	Note	2015 £m	2014 £m
Borrowings	23	**1,596.2**	1,493.0
Arrangement fees	23	**6.7**	7.5
Liquid assets buffer, including other liquid resources	22	**(134.2)**	(121.4)
Borrowings for gearing purposes		**1,468.7**	1,379.1
Shareholders' equity		**707.7**	613.0
Pension asset	20	**(62.3)**	(56.0)
Deferred tax on pension asset		**11.2**	11.2
Hedging reserve	27	**0.5**	3.3
Equity for gearing purposes		**657.1**	571.5
Gearing (times)		**2.2**	2.4

The gearing ratio is lower than the maximum target of 3.5 times due to: (i) the group's strong capital generation over the last two years, particularly as a result of the capital released from the reduction in the receivables book of the Provident home credit business over that period; and (ii) the equity raised to fund the acquisition of Moneybarn in August 2014 in order to preserve regulatory capital.

(b) Regulatory capital

The group is the subject of consolidated supervision by the PRA. As part of this supervision, it is required to maintain a certain level of regulatory capital (known as its Individual Capital Guidance (ICG)) in order to mitigate against unexpected losses. The ICG remains confidential between the PRA and the relevant institution and should not be publicly disclosed.

The group has complied with the Capital Requirements Directive (CRD) IV since 1 January 2014. Regulatory capital differs from the group's shareholders' equity included in the balance sheet as it excludes goodwill and other intangible assets, the group's pension asset, net of deferred tax, the fair value of derivative financial instruments, and the proposed dividend, but includes the group's subordinated loan notes.

A reconciliation of the group's equity to regulatory capital in accordance with CRD IV, is set out below:

Group	Note	2015 £m	2014 £m
Shareholders' equity		**707.7**	613.0
Other intangible assets	12	**(85.2)**	(84.3)
Goodwill	11	**(71.2)**	(71.2)
Deferred tax on acquired intangible asset		**11.7**	14.2
Pension asset	20	**(62.3)**	(56.0)
Deferred tax on pension asset		**11.2**	11.2
Hedging reserve	27	**0.5**	3.3
Dividend accrued on profits recognised		**(117.0)**	(91.6)
Tier 1 capital		**395.4**	338.6
Tier 2 capital – subordinated loan notes		**–**	0.5
Total regulatory capital held		**395.4**	339.1

The treasury committee is responsible for monitoring the level of regulatory capital. The level of surplus regulatory capital against the ICG is reported to the board on a monthly basis in the group's management accounts. The group regularly forecasts regulatory capital requirements as part of the budgeting and strategic planning process. The group is required to report quarterly to the PRA on the level of regulatory capital it holds. As at 31 December 2015, the group's total regulatory capital was comfortably in excess of the ICG set by the PRA.

Notes to the financial statements

1 Segment reporting

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

	Revenue		Profit/(loss) before taxation	
Group	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Vanquis Bank	**540.4**	470.8	**183.7**	140.4
CCD	**517.4**	591.1	**105.4**	103.9
Moneybarn	**55.3**	13.8	**21.3**	5.8
Central costs	**–**	–	**(17.5)**	(15.7)
Total group before amortisation of acquisition intangibles and exceptional costs	**1,113.1**	1,075.7	**292.9**	234.4
Amortisation of acquisition intangibles	**–**	–	**(7.5)**	(2.5)
Exceptional costs	**–**	–	**(11.8)**	(7.3)
Total group	**1,113.1**	1,075.7	**273.6**	224.6

Exceptional costs in 2015 represent £11.8m of business restructuring costs in CCD comprising £14.4m of redundancy costs associated with approximately 500 field managers and field administration employees as a result of the ongoing deployment of technology within CCD, net of a £2.6m exceptional curtailment credit associated with those employees who were made redundant who were part of the group's defined benefit pension scheme (see note 20).

Exceptional costs in 2014 of £7.3m comprised: (i) £3.4m of business restructuring costs in CCD representing £4.0m of redundancy costs associated with 225 field administration employees following the ongoing deployment of technology in CCD, net of a £0.6m exceptional curtailment credit associated with those employees made redundant who were part of the group's defined benefit pension scheme (see note 20); and (ii) £3.9m of expenses incurred in relation to the acquisition of Moneybarn (see note 10).

All of the above activities relate to continuing operations. Revenue between business segments is not material.

	Segment assets		Segment liabilities		Net assets	
Group	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Vanquis Bank	**1,423.0**	1,252.1	**(1,067.9)**	(961.7)	**355.1**	290.4
CCD	**597.9**	628.6	**(463.3)**	(500.3)	**134.6**	128.3
Moneybarn	**237.4**	166.7	**(221.1)**	(163.7)	**16.3**	3.0
Central	**286.1**	271.7	**(84.4)**	(80.4)	**201.7**	191.3
Total before intra-group elimination	**2,544.4**	2,319.1	**(1,836.7)**	(1,706.1)	**707.7**	613.0
Intra-group elimination	**(76.2)**	(60.4)	**76.2**	60.4	**–**	–
Total group	**2,468.2**	2,258.7	**(1,760.5)**	(1,645.7)	**707.7**	613.0

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 £76.2m (2014: £60.4m) 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.

1 Segment reporting (continued)

The group's businesses operate principally in the UK and Republic of Ireland. Vanquis Bank established a branch in Poland as part of a pilot operation during the first half of 2012. A decision was taken to withdraw from the pilot operation in early 2015 and the receivables book was sold to a third party with the economic interest transferring from 1 April 2015. The revenue in respect of the branch in 2015 up until the point at which the economic interest was transferred amounted to £1.8m (2014: £5.2m) and the loss amounted to £1.8m (2014: £10.6m). The net liabilities of the branch amounted to £nil at 31 December 2015 (2014: £18.7m), comprising assets of £nil (2014: £22.3m) and liabilities of £nil (2014: £41.0m). These figures are included within the Vanquis Bank figures in the tables opposite.

	Capital expenditure		Depreciation		Amortisation	
Group	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Vanquis Bank	**3.4**	6.1	**1.5**	1.5	**1.4**	0.5
CCD	**20.5**	12.0	**4.5**	3.9	**5.6**	4.1
Moneybarn	**0.8**	0.2	**0.3**	0.1	**0.4**	0.1
Central	**2.3**	0.7	**1.4**	1.1	**7.5**	2.5
Total group	**27.0**	19.0	**7.7**	6.6	**14.9**	7.2

Capital expenditure in 2015 comprises expenditure on intangible assets of £15.8m (2014: £7.4m) and property, plant and equipment of £11.2m (2014: £11.6m).

The acquired intangible asset in respect of Moneybarn's broker relationships is held on consolidation and, therefore, the amortisation charge has been allocated to Central in the above analysis, consistent with the net asset analysis.

2 Revenue

Revenue is recognised by applying the effective interest rate (EIR) to the carrying value of a loan. The EIR is calculated at inception and represents the rate which exactly discounts the future contractual cash receipts from a loan to the amount of cash advanced under that loan, plus directly attributable issue costs (eg aggregator/broker fees). In addition, in CCD and Moneybarn the EIR takes account of customers repaying early.

	Group	
	2015 £m	2014 £m
Interest income	**967.8**	942.0
Fee income	**145.3**	133.7
Total revenue	**1,113.1**	1,075.7

All fee income earned relates to Vanquis Bank.

Interest income relates to the interest charges on Vanquis Bank credit cards and Moneybarn conditional sale agreements and the service charge on home credit and Satsuma loans. Fee income relates to Vanquis Bank and predominantly reflects default and over-limit fees as well as other ancillary income streams such as interchange income and Repayment Option Plan (ROP) fees. Fee income in 2015 represented 26% (2014: 28%) of Vanquis Bank revenue.

3 Finance costs

	Group	
Interest payable on:	**2015 £m**	2014 £m
Bank borrowings	**12.8**	15.4
Senior public and retail bonds	**41.2**	38.9
Private placement loan notes	**6.2**	6.7
Subordinated loan notes	**0.2**	0.3
Retail deposits	**19.6**	16.2
Total finance costs	**80.0**	77.5

The group's blended funding rate in 2015 was 5.9%, down from 6.5% in 2014. This primarily reflects the development of the retail deposits programme in Vanquis Bank during 2015. Retail deposits represent approximately 46% of the group's funding at the end of 2015 compared with approximately 38% in 2014. The all-in blended cost of taking retail deposits in 2015, after the cost of holding a liquid assets buffer and other liquid resources in adherence with the PRA's liquidity regime, was 3.1% (2014: 3.4%).

Interest cover continues to be one of the group's banking covenants. It is calculated as profit before tax, interest and amortisation divided by finance costs, excluding net hedge ineffectiveness, and has a minimum requirement of 2.0 times. Interest cover, prior to exceptional costs, in 2015 was 4.8 times compared with 4.1 times in 2014.

Financial statements

Notes to the financial statements (continued)

4 Profit before taxation

Profit before taxation is stated after charging/(crediting):	Group 2015 £m	2014 £m
Amortisation of other intangible assets:		
– computer software (note 12)	7.4	4.7
– acquisition intangibles (note 12)	7.5	2.5
Depreciation of property, plant and equipment (note 13)	7.7	6.6
Loss on disposal of property, plant and equipment (note 13)	–	0.2
Operating lease rentals:		
– property	13.3	12.6
Employment costs (prior to exceptional curtailment credit and redundancy costs (note 9(b))	155.9	155.0
Exceptional curtailment credit (note 20(a))	(2.6)	(0.6)
Exceptional redundancy costs (note 9(b))	14.4	4.0
Exceptional fees incurred on the acquisition of Moneybarn (note 10)	–	3.9
Impairment of amounts receivable from customers (note 15)	276.0	327.8

Operating costs include impairment of amounts receivable from customers; commission paid to self-employed agents (which broadly represents 40% of home credit's costs) and marketing and customer acquisition costs. Administrative costs reflect all other costs incurred in running the business, the largest of which is employment costs (see note 9).

Auditor's remuneration	Group 2015 £m	2014 £m
Fees payable to the company's auditor for the audit of parent company and consolidated financial statements	0.1	0.1
Fees payable to the company's auditor and its associates for other services:		
– audit of company's subsidiaries pursuant to legislation	0.3	0.3
– other services pursuant to legislation	0.5	0.8
Total auditor's remuneration	**0.9**	1.2

5 Tax charge

Tax charge in the income statement	Group 2015 £m	2014 £m
Current tax		
– UK	(56.9)	(46.6)
– overseas	(0.7)	(0.7)
Total current tax	(57.6)	(47.3)
Deferred tax (note 21)	(0.2)	(3.0)
Impact of change in UK tax rate (note 21)	2.4	1.3
Total tax charge	**(55.4)**	(49.0)

The tax credit in respect of exceptional costs in 2015 amounted to £2.4m (2014: credit of £0.8m) and represents tax relief in respect of the exceptional restructuring costs in CCD. The tax credit in respect of the amortisation of acquisition intangibles amounted to £1.5m (2014: £0.6m).

The effective tax rate for 2015 prior to the amortisation of acquisition intangibles and exceptional costs, is 20.25% (2014: 21.5%) in line with the UK statutory corporation tax rate which reduced from 21% to 20% with effect from 1 April 2015.

5 Tax charge (continued)

During 2015, further reductions in corporation tax rates were enacted, reducing the mainstream corporation tax rate from 20% to 19% with effect from 1 April 2017 and from 19% to 18% from 1 April 2020. In addition, the Government introduced a bank corporation tax surcharge, enacted in the 2015 Finance (No. 2) Act, which imposes, with effect from 1 January 2016, an additional 8% corporation tax on profits of banking companies over £25m. Vanquis Bank is a banking company for these purposes. As the temporary differences on which deferred tax is calculated are expected to largely reverse after 1 April 2020 (2014: 1 April 2015), deferred tax at 31 December 2015 has been re-measured at 18% (2014: 20%) and, in the case of Vanquis Bank, at the combined mainstream corporation tax and bank surcharge rate of 26% (2014: 20%). In 2015, movements in the deferred tax balances have been measured at the mainstream corporation tax for the year of 20.25%. A tax credit in 2015 of £2.4m (2014: credit of £1.3m) represents the income statement adjustment to deferred tax as a result of these changes and an additional deferred tax charge of £0.2m (2014: credit of £0.3m) has been taken directly to other comprehensive income in respect of items previously reflected directly in other comprehensive income.

	Group	
Tax charge on items taken directly to other comprehensive income	**2015 £m**	2014 £m
Deferred tax charge on fair value movement in available for sale investment	**(3.5)**	–
Deferred tax charge on fair value movements on cash flow hedges	**(1.0)**	(0.4)
Deferred tax credit/(charge) on actuarial movements on retirement benefit asset	**1.2**	(3.8)
Tax charge on items taken directly to other comprehensive income prior to impact of change in UK tax rate	**(3.3)**	(4.2)
Impact of change in UK tax rate	**(0.2)**	0.3
Total tax charge on items taken directly to other comprehensive income	**(3.5)**	(3.9)

The deferred tax charge of £3.5m on the available for sale investment in 2015 represents the deferred tax on the revaluation of the group's interest in Visa Europe Limited of £17.5m which has been taken directly to other comprehensive income in the year (see note 16). Subject to regulatory approvals, the group expects to sell its shareholding in Visa Europe Limited to Visa Inc. in exchange for upfront cash proceeds, preferred stock and deferred cash consideration contingent on performance. Deferred tax has been measured initially at the statutory rate for the year of 20.25%. Deferred tax has then been re-measured at the combined mainstream corporation tax and bank surcharge rates of 28% on that element of the profit attributed to the upfront cash consideration which will be taxed in 2016. Deferred tax on the profit attributable to the preferred stock has been re-measured at 26% as this is not expected to be taxed until the preferred stock or the shares into which they convert are sold.

The rate of tax charge on the profit before taxation for the year is in line with (2014: higher than) the average standard rate of corporation tax in the UK of 20.25% (2014: 21.50%). This can be reconciled as follows:

	Group	
	2015 £m	2014 £m
Profit before taxation	**273.6**	224.6
Profit before taxation multiplied by the average standard rate of corporation tax in the UK of 20.25% (2014: 21.50%)	**(55.4)**	(48.3)
Effects of:		
– benefit of lower tax rates overseas	**0.5**	0.6
– adjustment in respect of prior years	**(2.6)**	(1.4)
– non deductible general expenses	**(0.3)**	(0.4)
– non deductible expenses relating to the acquisition of Moneybarn	**–**	(0.8)
– impact of change in UK tax rate	**2.4**	1.3
Total tax charge	**(55.4)**	(49.0)

The profits of the home credit business in the Republic of Ireland have been taxed at the Republic of Ireland statutory tax rate of 12.5% (2014: 12.5%) rather than the UK statutory tax rate of 20.25% (2014: 21.50%) giving rise to a beneficial impact on the group tax charge of £0.5m (2014: £0.6m).

The £2.6m charge (2014: £1.4m charge) in respect of prior years represents an increase in the prior year tax charge in respect of historic tax liabilities net of the benefit of securing tax deductions for employee share awards which are higher than those originally anticipated.

The £2.4m credit in 2015 arises as a result of re-measuring deferred tax assets in Vanquis Bank (mainly provisions for costs which are tax deductible in future periods) at the combined mainstream corporation tax and bank surcharge rate of 26%, having been previously measured at 20%, together with the impact of re-measuring net deferred tax liabilities elsewhere in the group at 18% (2014: 20%). For 2014, the £1.3m credit arose primarily as a result of re-measuring the net deferred tax liabilities which arose in 2014 (mainly the deferred tax liability recognised on the fair value of Moneybarn's broker relationships) at 20% having been originally measured at the 2014 statutory corporation tax rate of 21.5%.

During 2014, the group incurred £3.9m of expenses in relation to the acquisition of Moneybarn which were included in exceptional costs. As it was considered tax deductions may not be available for such costs, these gave rise to an increase in the tax charge of £0.8m in 2014.

Notes to the financial statements (continued)

6 Earnings per share

The group presents basic and diluted earnings per share (EPS) data on its ordinary shares. Basic EPS is calculated by dividing the profit for the year attributable to equity shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted for treasury shares (own shares held). Diluted EPS calculates the effect on EPS assuming 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.

The group also presents an adjusted EPS, prior to the amortisation of acquisition intangibles and exceptional items.

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

	2015			2014		
Group	**Earnings £m**	**Weighted average number of shares m**	**Per share amount pence**	Earnings £m	Weighted average number of shares m	Per share amount pence
Earnings per share						
Shares in issue during the year		146.9			142.3	
Own shares held		(3.2)			(3.5)	
Basic earnings per share	218.2	143.7	151.8	175.6	138.8	126.5
Dilutive effect of share options and awards	–	2.0	(2.0)	–	2.2	(2.0)
Diluted earnings per share	218.2	145.7	149.8	175.6	141.0	124.5

The directors have elected to show an adjusted earnings per share prior to the amortisation of acquisition intangibles which arose on the acquisition of Moneybarn in August 2014 (see note 10) and prior to exceptional costs (see note 1). 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:

	2015			2014		
Group	**Earnings £m**	**Weighted average number of shares m**	**Per share amount pence**	Earnings £m	Weighted average number of shares m	Per share amount pence
Basic earnings per share	218.2	143.7	151.8	175.6	138.8	126.5
Amortisation of acquisition intangibles, net of tax	6.0	–	4.2	1.9	–	1.4
Exceptional costs, net of tax	9.4	–	6.6	6.5	–	4.7
Adjusted basic earnings per share	233.6	143.7	162.6	184.0	138.8	132.6
Diluted earnings per share	218.2	145.7	149.8	175.6	141.0	124.5
Amortisation of acquisition intangibles, net of tax	6.0	–	4.1	1.9	–	1.4
Exceptional costs, net of tax	9.4	–	6.4	6.5	–	4.6
Adjusted diluted earnings per share	233.6	145.7	160.3	184.0	141.0	130.5

Adjusted basic EPS has grown by 22.6% in 2015 primarily due to the strong performance of Vanquis Bank. This growth is lower than the 25.0% growth in profit before tax, amortisation of acquisition intangibles and exceptional costs as a result of the 5.9m placement of shares for the acquisition of Moneybarn in August 2014, partly offset by the reduction in the corporation tax rate from 21% to 20% on 1 April 2015.

7 Dividends

	Group and company	
	2015 £m	2014 £m
2013 final – 54.0p per share	–	74.4
2014 interim – 34.1p per share	–	49.0
2014 final – 63.9p per share	**92.3**	–
2015 interim – 39.2p per share	**56.6**	–
Dividends paid	**148.9**	123.4

The directors are recommending a final dividend in respect of the financial year ended 31 December 2015 of 80.9p per share (2014: 63.9p) which will amount to an estimated dividend payment of £117.0m (2014: £92.3m). If approved by the shareholders at the annual general meeting on 5 May 2016, this dividend will be paid on 24 June 2016 to shareholders who are on the register of members at 20 May 2016. This dividend is not reflected in the balance sheet as at 31 December 2015 as it is subject to shareholder approval.

As a result of adjusted EPS growth of 22.6% in 2015, the directors have proposed an increase in the final dividend of 26.6% which, together with the 15.0% increase in the interim dividend, makes a total full-year dividend increase of 22.6%. Accordingly, dividend cover, prior to the amortisation of acquisition intangibles and exceptional costs, in 2015 was 1.35 times (2014: 1.35 times), compared with the minimum target of 1.25 times.

8 Directors' remuneration

The remuneration of the directors, who are the key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24, 'Related party disclosures'.

	Group and company	
	2015 £m	2014 £m
Short-term employee benefits	**3.4**	3.6
Post-employment benefits	**0.3**	0.4
Share-based payment charge	**4.3**	3.7
Total	**8.0**	7.7

The directors' remuneration above reflects:

Short-term employee benefits comprise salary/fees, bonus and benefits earned in the year.

Post-employment benefits represent the sum of: (i) the increase in the transfer value of the accrued pension benefits (less directors' contributions) for those directors who are members of the group's defined benefit pension scheme; (ii) company contributions into personal pension arrangements for all other directors; and (iii) amounts accrued under the Unfunded, Unapproved Retirement Benefit Scheme (UURBS).

The share-based payment charge is the proportion of the group's share-based payment charge that relates to those options and awards granted to the directors.

This differs to the director's remuneration report on pages 114 to 132 which does not include the share-based payment charge of £4.3m (2014: £3.7m) but includes the value of LTIS and PSP share awards due to vest in 2016 of £9.0m (2014: £6.6m). The value is calculated assuming 100% of share awards vest at the average share price during the last three months of the year.

Notes to the financial statements (continued)

9 Employee information

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

	Group 2015 Number	2014 Number
Vanquis Bank	**1,303**	1,021
CCD	**2,179**	2,390
Moneybarn	**127**	102
Central	**58**	55
Total group	**3,667**	3,568
Analysed as:		
Full time	**3,310**	3,105
Part time	**357**	463
Total group	**3,667**	3,568

Employees comprise all head office and branch employees within CCD, head office and contact centre employees within Vanquis Bank, Moneybarn and corporate office employees and executive directors. It does not include the 5,500 self-employed agents within CCD. The 9% reduction in CCD employee numbers reflects the impact of the business restructuring which took place during 2014 and 2015 partly offset by additional headcount to support: (i) increased regulation and compliance; and (ii) the development of Satsuma and glo. Vanquis Bank employee numbers have increased by 28% during 2015 due to the growth of the business, including the continued expansion of the second contact centre in CCD's head office in Bradford and resource to support collections activity for Satsuma. Moneybarn's 25% increase in headcount reflects the resource required to support the growth of the business and bring governance processes into line with the rest of the group.

(b) Employment costs

	Group 2015 £m	2014 £m
Aggregate gross wages and salaries paid to the group's employees	**131.6**	123.2
Employers' National Insurance contributions	**15.4**	14.4
Pension charge, prior to exceptional pension credit	**11.6**	8.7
Share-based payment charge (note 26)	**11.7**	8.7
Total employment cost prior to exceptional costs	**170.3**	155.0
Exceptional curtailment credit (note 20)	**(2.6)**	(0.6)
Exceptional redundancy costs (note 1)	**14.4**	4.0
Total employment costs	**182.1**	158.4

The pension charge comprises the retirement benefit charge for defined benefit schemes, contributions to the stakeholder pension plan, contributions to personal pension arrangements and amounts accrued under the UURBS. The increase in the share-based payment charge from £8.7m in 2014 to £10.5m in 2015 primarily reflects higher expected vesting of LTIS schemes based on the group's current performance.

The share-based payment charge of £11.7m (2014: £8.7m) relates to equity settled schemes of £10.5m (2014: £8.7m) and cash settled schemes of £1.2m (2014: £nil).

10 Acquisition of Moneybarn

The group completed the acquisition of the entire share capital of Duncton Group Limited, which trades as Moneybarn, the UK's largest non-standard vehicle finance business, on 20 August 2014 for a consideration of £120m. The consideration was satisfied by the payment of £120m in cash on completion to Duncton Group Limited's shareholders, funded through the proceeds of a placing of 5.9m new ordinary shares in Provident Financial plc with institutional investors.

Costs of £3.9m associated with the acquisition including due diligence, legal, advisory and tax fees were charged as an exceptional cost in 2014 (see note 1). Costs of £3.1m associated with the placing of ordinary shares in respect of the acquisition were deducted from the share premium account.

Prior to acquisition, Moneybarn reported under UK GAAP. A detailed conversion of Moneybarn's financial statements to IFRS was completed post acquisition which reduced Moneybarn's net assets on acquisition by approximately £11m, principally in respect of: (i) higher impairment provisions due to the impact of discounting future expected cash flows at the effective interest rate; and (ii) a change in policy in respect of the deferral of the acquisition costs of new accounts.

The final fair values of the identifiable assets and liabilities of Moneybarn as at the acquisition date were as follows:

	Book value on acquisition £m	Fair value adjustments £m	Recognised on acquisition £m
Intangible assets (a)	1.0	75.0	**76.0**
Property, plant and equipment	0.9	–	**0.9**
Deferred tax assets/(liabilities) (c)	2.6	(14.1)	**(11.5)**
Amounts receivable from customers (b)	135.0	(3.8)	**131.2**
Cash and cash equivalents	5.2	–	**5.2**
Trade and other receivables	4.8	–	**4.8**
Trade and other payables (c)	(5.2)	(1.0)	**(6.2)**
Corporation tax liabilities	(1.7)	–	**(1.7)**
Bank and other borrowings (d)	(144.9)	(5.0)	**(149.9)**
Net identifiable (liabilities)/assets acquired	(2.3)	51.1	**48.8**
Goodwill			**71.2**
Cash consideration			**120.0**

The fair value adjustments applied to Moneybarn's net assets comprised:

(a) £75.0m was attributed to the fair value of Moneybarn's existing broker relationships which are an important influence on the revenue-generating capacity of the business (see note 12).

(b) An adjustment to receivables of £3.8m was made to reflect the fair value of the receivables book at the acquisition date. This adjustment principally related to the expected losses on those accounts which were not yet in arrears and therefore had not yet attracted an impairment provision under IAS 39, 'Financial instruments: Recognition and measurement'. Expected losses are currently only taken into account as part of the calculation of fair value on the acquisition of a receivables book in accordance with IFRS 3, 'Business combinations'. Expected loss provisions have not been established on new Moneybarn accounts originated post acquisition, in line with both the group's accounting policies and IAS 39.

(c) The tax effect of the other fair value adjustments of £14.1m together with £1.0m of additional potential liabilities which were not provided against at the acquisition date were made.

(d) The existing Moneybarn borrowings were refinanced shortly following acquisition, utilising the group's existing committed facilities at a substantially lower cost of funds. The fair value of debt on acquisition was increased to include the break costs of £5.0m that were incurred in settling Moneybarn's existing debt.

The goodwill of £71.2m represents the benefit of the group's lower cost funding and synergies available from the acquisition in respect of underwriting, collections and distribution channels (see note 11). In accordance with the group's accounting policies, goodwill is not amortised but is subject to an annual impairment review. None of the goodwill is expected to be deductible for corporation tax purposes.

Notes to the financial statements (continued)

10 Acquisition of Moneybarn (continued)

An analysis of the fair value of the receivables acquired compared with the gross contractual amounts of the receivables book and the contractual cash flows not expected to be collected was as follows:

	Fair value £m	Gross contractual amounts £m	Contractual cash flows not expected to be collected £m
Amounts receivable from customers	131.2	225.0	24.7

The gross contractual amounts of receivables relates to the total contractual amount due from the customers over the life of the contract. Cash flows not expected to be collected are the undiscounted cash flows not expected to be collected based on historical experience.

In 2014, Moneybarn generated revenue of £13.8m and a profit before tax, amortisation of acquired intangible assets and exceptional items of £5.8m in the four months following acquisition. In the eight months prior to acquisition, Moneybarn generated revenue of £24.2m and a profit before tax and exceptional costs of £4.6m. Had the acquisition completed on the first day of the financial year and Moneybarn had benefited from the group's lower cost of funding in the first eight months of the year, the group's revenue would have been £24.2m higher at £1,099.9m and group profit before tax, amortisation of acquisition intangibles and exceptional costs would have been £9.2m higher at £243.6m.

11 Goodwill

	Group	
	2015 £m	2014 £m
Cost		
At 1 January	**73.3**	2.1
Acquisition of Moneybarn (note 10)	**–**	71.2
At 31 December	**73.3**	73.3
Accumulated amortisation		
At 1 January and 31 December	**2.1**	2.1
Net book value at 31 December	**71.2**	71.2
Net book value at 1 January	**71.2**	–

The goodwill arising on the acquisition of Moneybarn in August 2014 reflects the surplus of consideration over identifiable assets which amounted to £71.2m (see note 10). In 2012, the carrying value of goodwill in respect of Cheque Exchange Limited, a small subsidiary originally acquired in 2001 and now subsumed within CCD, was fully impaired based on expected future cash flows.

12 Other intangible assets

Group	Acquisition intangibles £m	Computer software £m	2015 Total £m	Acquisition intangibles £m	Computer software £m	2014 Total £m
Cost						
At 1 January	75.0	44.5	119.5	–	39.7	39.7
Acquisition of Moneybarn (note 10)	–	–	–	75.0	1.6	76.6
Additions	–	15.8	15.8	–	7.4	7.4
Disposals	–	(0.7)	(0.7)	–	(4.2)	(4.2)
At 31 December	75.0	59.6	134.6	75.0	44.5	119.5
Accumulated amortisation						
At 1 January	2.5	32.7	35.2	–	31.6	31.6
Acquisition of Moneybarn (note 10)	–	–	–	–	0.6	0.6
Charged to the income statement	7.5	7.4	14.9	2.5	4.7	7.2
Disposals	–	(0.7)	(0.7)	–	(4.2)	(4.2)
At 31 December	10.0	39.4	49.4	2.5	32.7	35.2
Net book value at 31 December	65.0	20.2	85.2	72.5	11.8	84.3
Net book value at 1 January	72.5	11.8	84.3	–	8.1	8.1

Acquisition intangibles represents the fair value of the broker relationships arising on acquisition of Moneybarn in August 2014. The intangible asset was calculated based on the discounted cash flows associated with Moneybarn's core broker relationships and is being amortised over an estimated useful life of 10 years.

The £15.8m (2014: £7.4m) of computer software expenditure principally relates to externally purchased and internally developed software in CCD supporting the deployment of technology in the Provident home credit business and the systems to support the build-out of Satsuma and glo.

13 Property, plant and equipment

Group	Freehold land and buildings £m	Leasehold land and buildings £m	Equipment and vehicles £m	Total £m
Cost				
At 1 January 2015	3.9	4.6	59.2	67.7
Additions	–	0.1	11.1	11.2
Disposals	–	–	(4.2)	(4.2)
At 31 December 2015	3.9	4.7	66.1	74.7
Accumulated depreciation				
At 1 January 2015	3.3	0.3	36.7	40.3
Charged to the income statement	–	0.3	7.4	7.7
Disposals	–	–	(2.8)	(2.8)
At 31 December 2015	3.3	0.6	41.3	45.2
Net book value at 31 December 2015	0.6	4.1	24.8	29.5
Net book value at 1 January 2015	0.6	4.3	22.5	27.4

The loss on disposal of property, plant and equipment in 2015 amounted to £nil (2014: £0.2m) and represented proceeds received of £1.4m (2014: £1.1m) less the net book value of disposals of £1.4m (2014: £1.3m).

Additions in 2015 principally comprises expenditure in respect of the cost of fitting out a second property in Bradford (Aldermanbury House) to accommodate the contact centre for Provident home credit, the refit of the third floor at the head office in Bradford (No. 1 Godwin Street) to accommodate expansion of Vanquis Bank's contact centre onto the third floor in addition to their space on the second floor, fit out of new gym facility in the Bradford head office and the routine replacement of IT equipment in both CCD and Vanquis Bank and motor vehicles for field employees within CCD.

Notes to the financial statements (continued)

13 Property, plant and equipment (continued)

Group	Freehold land and buildings £m	Leasehold land and buildings £m	Equipment and vehicles £m	Total £m
Cost				
At 1 January 2014	3.9	0.8	54.1	58.8
Acquisition of Moneybarn (note 10)	–	0.6	0.7	1.3
Additions	–	3.7	7.9	11.6
Disposals	–	(0.5)	(3.5)	(4.0)
At 31 December 2014	3.9	4.6	59.2	67.7
Accumulated depreciation				
At 1 January 2014	3.3	0.6	32.1	36.0
Acquisition of Moneybarn (note 10)	–	0.1	0.3	0.4
Charged to the income statement	–	0.1	6.5	6.6
Disposals	–	(0.5)	(2.2)	(2.7)
At 31 December 2014	3.3	0.3	36.7	40.3
Net book value at 31 December 2014	0.6	4.3	22.5	27.4
Net book value at 1 January 2014	0.6	0.2	22.0	22.8

Company	Freehold land and buildings £m	Leasehold land and buildings £m	Equipment and vehicles £m	Total £m
Cost				
At 1 January 2015	**3.9**	**0.2**	**10.8**	**14.9**
Additions	**–**	**–**	**2.3**	**2.3**
Disposals	**–**	**–**	**(0.3)**	**(0.3)**
At 31 December 2015	**3.9**	**0.2**	**12.8**	**16.9**
Accumulated depreciation				
At 1 January 2015	**3.3**	**0.1**	**4.5**	**7.9**
Charged to the income statement	**–**	**–**	**1.4**	**1.4**
Disposals	**–**	**–**	**(0.2)**	**(0.2)**
At 31 December 2015	**3.3**	**0.1**	**5.7**	**9.1**
Net book value at 31 December 2015	**0.6**	**0.1**	**7.1**	**7.8**
Net book value at 1 January 2015	**0.6**	**0.1**	**6.3**	**7.0**

The profit/(loss) on disposal of property, plant and equipment in 2015 amounted to £nil (2014: £nil) and represented proceeds received of £0.1m (2014: £0.3m) less the net book value of disposals of £0.1m (2014: £0.3m).

Company	Freehold land and buildings £m	Leasehold land and buildings £m	Equipment and vehicles £m	Total £m
Cost				
At 1 January 2014	3.9	0.2	10.9	15.0
Additions	–	–	0.7	0.7
Disposals	–	–	(0.8)	(0.8)
At 31 December 2014	3.9	0.2	10.8	14.9
Accumulated depreciation				
At 1 January 2014	3.3	0.1	3.9	7.3
Charged to the income statement	–	–	1.1	1.1
Disposals	–	–	(0.5)	(0.5)
At 31 December 2014	3.3	0.1	4.5	7.9
Net book value at 31 December 2014	0.6	0.1	6.3	7.0
Net book value at 1 January 2014	0.6	0.1	7.0	7.7

14 Investment in subsidiaries

	Company 2015 £m	2014 £m
Cost		
At 1 January	**528.2**	408.6
Additions	**–**	120.0
Disposals	**–**	(0.4)
At 31 December	**528.2**	528.2
Accumulated impairment losses		
At 1 January	**31.9**	31.8
Charged to the income statement	**–**	0.1
At 31 December	**31.9**	31.9
Net book value at 31 December	**496.3**	496.3
Net book value at 1 January	**496.3**	376.8

The directors consider the value of investments to be supported by their underlying assets.

The additions to investments in 2014 represented the gross consideration of £120.0m in respect of the acquisition of Moneybarn (see note 10). The disposal in 2014 of £0.4m represented the IFRIC 11 adjustment relating to share options/awards provided to subsidiary employees. Under IFRIC 11, the fair value of the options/awards issued is required to be treated as a capital contribution and an investment in the relevant subsidiary, net of any share options/award that have vested. The adjustment in respect of IFRIC 11 in 2014 amounted to a net credit of £0.4m and was therefore treated as a disposal. The adjustment for IFRIC 11 in 2015 amounted to £nil.

The following are the subsidiary undertakings which, in the opinion of the directors, principally affect the profit or assets of the group or are a guaranteeing subsidiary of the group's syndicated bank facility. A full list of subsidiary undertakings will be annexed to the next annual return of the company to be filed with the Registrar of Companies (see note 32). All subsidiaries are consolidated and held directly by the company except for those noted below, which are held by wholly owned intermediate companies.

		Activity	Country of incorporation	Class of capital	% holding
Vanquis Bank	Vanquis Bank Limited	Financial services	England	Ordinary	100
CCD	Provident Financial Management Services Limited	Management services	England	Ordinary	100
	Provident Personal Credit Limited	Financial services	England	Ordinary	100*
	Greenwood Personal Credit Limited	Financial services	England	Ordinary	100*
Moneybarn	Duncton Group Limited	Financial services	England	Ordinary	100
	Moneybarn Group Limited	Financial services	England	Ordinary	100*
	Moneybarn No. 1 Limited	Financial services	England	Ordinary	100*
Central	Provident Investments plc	Financial intermediary	England	Ordinary	100

* Shares held by wholly owned intermediate companies.

The above companies operate principally in their country of incorporation.

Notes to the financial statements (continued)

15 Amounts receivable from customers

On inception of a loan, receivables represent the amounts initially advanced to customers plus directly attributable issue costs. Subsequently, receivables are increased by the revenue recognised and reduced by cash collections and any deduction for impairment. Revenue is recognised on the net value of the receivable after deduction for impairment and not on the gross receivable prior to impairment.

Illustrative examples of revenue and impairment accounting in home credit can be found in the investor section of the company's website.

Group	2015 Due within one year £m	2015 Due in more than one year £m	2015 Total £m	2014 Due within one year £m	2014 Due in more than one year £m	2014 Total £m
Vanquis Bank	1,252.0	–	1,252.0	1,109.4	–	1,109.4
CCD	484.6	60.5	545.1	532.8	55.3	588.1
Moneybarn	62.1	157.5	219.6	51.4	100.3	151.7
Total group	1,798.7	218.0	2,016.7	1,693.6	155.6	1,849.2

Vanquis Bank's receivables comprise £1,252.0m (2014: £1,093.9m) in respect of the UK business and £nil (2014: £15.5m) in respect of the Polish pilot operation. UK receivables grew by 14.5% in 2015 as a result of growth in UK customer numbers of 9.9% together with the success of the credit line increase programme to good-quality existing customers through the 'low and grow' approach to lending. The receivables in respect of the Polish pilot operation were derecognised on 1 April 2015 following the sale and transfer of the economic interest to a third party. CCD receivables comprise £522.2m in respect of the Provident home credit business (2014: £582.5m), £12.1m in respect of Satsuma (2014: £5.0m) and £10.8m in respect of glo (2014: £0.6m). Home credit receivables showed a 10.4% reduction in 2015 reflecting the continued impact of significantly tighter credit standards which has restricted the recruitment of more marginal customers into the business.

The average effective interest rate for the year ended 31 December 2015 was 30% for Vanquis Bank (2014: 31%), 114% for CCD (2014: 112%) and 28% for Moneybarn (2014: 29%). The average period to maturity of the amounts receivable from customers within CCD is 6.0 months (2014: 6.0 months) and within Moneybarn is 37.0 months (2014: 32.0 months). Within Vanquis Bank, there is no fixed term for repayment of credit card loans other than a general requirement for customers to make a monthly minimum repayment towards their outstanding balance. For the majority of customers, this is currently the greater of 1.5% of the amount owed plus any fees and interest charges in the month and £5.

The fair value of amounts receivable from customers is approximately £3.3 billion (2014: £2.9 billion). Fair value has been derived by discounting expected future cash flows (net of collection costs) at the group's weighted average cost of capital at the balance sheet date.

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

Credit quality of amounts receivable from customers	2015 Vanquis Bank £m	2015 CCD £m	2015 Moneybarn £m	2015 Group £m	2014 Vanquis Bank £m	2014 CCD £m	2014 Moneybarn £m	2014 Group £m
Neither past due nor impaired	1,168.4	279.9	192.6	1,640.9	1,022.0	258.4	119.2	1,399.6
Past due but not impaired	–	58.1	–	58.1	–	64.6	–	64.6
Impaired	83.6	207.1	27.0	317.7	87.4	265.1	32.5	385.0
Total	1,252.0	545.1	219.6	2,016.7	1,109.4	588.1	151.7	1,849.2

Credit quality of amounts receivable from customers	2015 Vanquis Bank %	2015 CCD %	2015 Moneybarn %	2015 Group %	2014 Vanquis Bank %	2014 CCD %	2014 Moneybarn %	2014 Group %
Neither past due nor impaired	93.3	51.3	87.7	81.4	92.1	43.9	78.6	75.7
Past due but not impaired	–	10.7	–	2.9	–	11.0	–	3.5
Impaired	6.7	38.0	12.3	15.7	7.9	45.1	21.4	20.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Past due but not impaired balances all relate to home credit loans within CCD. There are no accounts/loans within Vanquis Bank or Moneybarn which are past due but not impaired. In home credit, past due but not impaired balances relate to loans which are contractually overdue. However, contractually overdue loans are not deemed to be impaired unless the customer has missed two or more cumulative weekly payments in the previous 12-week period since only at this point do the expected future cash flows from loans deteriorate materially.

The improved arrears profile in Vanquis Bank reflects the record low arrears currently being experienced by the business. The improvement in the arrears profile of CCD reflects the significant improvement in the credit quality of the receivables book as a result of the tighter credit standards introduced in September 2013 and the benefit from the implementation of standardised arrears and collections processes. The significant reduction in the proportion of impaired accounts within Moneybarn during 2015 reflects the sale of old, low value delinquent debtors to third party debt purchasers.

15 Amounts receivable from customers (continued)

The following table sets out the ageing analysis of past due but not impaired balances within the home credit and Satsuma businesses of CCD based on contractual arrears since the inception of the loan:

	Group	
Ageing analysis of past due but not impaired balances	**2015 £m**	2014 £m
One week overdue	**41.1**	44.8
Two weeks overdue	**9.9**	11.6
Three weeks or more overdue	**7.1**	8.2
Past due but not impaired	**58.1**	64.6

Impairment in Vanquis Bank and Moneybarn is deducted from the carrying value of amounts receivable from customers by the use of an allowance account. The movement in the allowance accounts during the year are as follows:

	Group	
Vanquis Bank allowance account	**2015 £m**	2014 £m
At 1 January	**178.6**	128.8
Charge for the year	**160.5**	149.1
Amounts written off during the year	**(127.1)**	(123.3)
Amounts recovered during the year	**23.5**	24.0
Sale of Polish receivables	**(10.5)**	–
At 31 December	**225.0**	178.6

	Group	
Moneybarn allowance account	**2015 £m**	2014 £m
At 1 January/on acquisition	**27.1**	27.0
Charge for the period	**8.9**	1.2
Amounts written off during the period	**(2.0)**	(1.1)
Sale of delinquent receivables	**(15.6)**	–
At 31 December	**18.4**	27.1

Within CCD, impairments are deducted directly from amounts receivable from customers without the use of an allowance account.

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

	Group	
Impairment charge on amounts receivable from customers	**2015 £m**	2014 £m
Vanquis Bank	**160.5**	149.1
CCD	**106.6**	177.5
Moneybarn	**8.9**	1.2
Total group	**276.0**	327.8

The impairment charge in Vanquis Bank comprises £158.9m (2014: £144.9m) in respect of the UK business and £1.6m (2014: £4.2m) in respect of the Polish pilot operation prior to the transfer of the economic interest to a third party on 1 April 2015.

Notes to the financial statements (continued)

15 Amounts receivable from customers (continued)

Interest income recognised on amounts receivable from customers which have been impaired can be analysed as follows:

Interest income recognised on impaired amounts receivable from customers	Group 2015 £m	Group 2014 £m
Vanquis Bank	**35.4**	30.9
CCD	**249.9**	299.8
Moneybarn	**6.7**	2.5
Total group	**292.0**	333.2

IFRS requires interest revenue to be recognised on the net carrying value of a receivable after deductions for impairment and not on the outstanding amount of the loan prior to impairment. Using Vanquis Bank as an example, whilst interest revenue for customer statement balances is broadly calculated on the gross receivables balance of £1,477.0m (subject to the normal suspension of interest where applicable and the timing of customer payments), interest revenue for IFRS purposes is calculated based on the net receivables balance of £1,252.0m, which is stated after the deduction of the impairment allowance account of £225.0m. The non-standard customers served by the group are generally more likely to miss payments compared with more mainstream customers. As the group recognises impairment events early – after missing two weekly payments in the last 12 weeks in home credit and after missing one monthly payment in Vanquis Bank and Moneybarn – the group's level of revenue on impaired loans is comparatively high.

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

Currency profile of amounts receivable from customers	Group 2015 £m	Group 2014 £m
Sterling	**1,961.6**	1,779.8
Euro	**55.1**	53.9
Zloty	**–**	15.5
Total group	**2,016.7**	1,849.2

Euro receivables represent loans issued by the home credit business in the Republic of Ireland, and amount to 10% of CCD's receivables (2014: 9%). Zloty receivables relate to the Vanquis Bank pilot credit card operation in Poland prior to the transfer of the economic interest to a third party on 1 April 2015.

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

16 Available for sale investment

Available for sale investment	Group 2015 £m	Group 2014 £m
Fair value of shares in Visa Europe Limited	**17.5**	–

On 2 November 2015, Visa Inc. announced the proposed acquisition of Visa Europe Limited to create a single global payments business under the VISA brand. Vanquis Bank is a member and shareholder of Visa Europe and in exchange for its one redeemable ordinary share (previously held at par of €10) will receive upfront consideration in the form of cash (approximately €14.7m) and preferred stock (approximately €10.1m) on completion of the transaction. The preferred stock is convertible into Class A common stock of Visa Inc, at a future date, subject to certain conditions. In addition, Vanquis Bank may receive deferred cash consideration in 2020 which is contingent on certain performance thresholds being met by Visa Europe Limited.

Following the announcement of the proposed transaction, Vanquis Bank's interest in Visa Europe has been valued at fair value which reflects the expected upfront cash proceeds and a number of factors and uncertainties relating to the other consideration. The valuation of the preferred stock has been determined using the common stock's value as an approximation as both classes of stock have similar dividend rights. However, adjustments are made for: (i) illiquidity, as the preferred stock is not tradeable on an open market and can only be transferred to other VISA principle members; and (ii) future litigation costs which could affect the valuation of the stock prior to conversion. No valuation has been placed on the deferred element of the consideration due to its inherent uncertainty. Accordingly, the 2015 balance sheet reflects an available for sale investment of £17.5m (2014: £nil) with the corresponding credit taken to equity. Subject to regulatory approvals, the transaction is expected to complete in the second quarter of 2016. Following completion, the gain taken through equity in 2015 will be recycled through the income statement as an exceptional gain in 2016.

Under IFRS 13, 'Fair Value Measurement', the investment is classified as Level 3 as the valuation is determined using a combination of observable and unobservable inputs. As the cash valuation has been stated in the proposed sale documentation and the common stock share price is readily available, these inputs are deemed to be observable. However, certain assumptions have been made in respect of the illiquidity adjustment to the share price and the likelihood of litigation costs in the future. These inputs are therefore deemed to be unobservable.

17 Financial instruments

The following table sets out the carrying value of the group's financial assets and liabilities in accordance with the categories of financial instruments set out in IAS 39. Assets and liabilities outside the scope of IAS 39 are shown within non-financial assets/liabilities:

						2015
Group	**Loans and receivables £m**	**Available for sale £m**	**Amortised cost £m**	**Hedging derivatives £m**	**Non-financial assets/liabilities £m**	**Total £m**
Assets						
Available for sale investment	–	17.5	–	–	–	17.5
Cash and cash equivalents	132.7	20.7	–	–	–	153.4
Amounts receivable from customers	2,016.7	–	–	–	–	2,016.7
Trade and other receivables	32.4	–	–	–	–	32.4
Retirement benefit asset	–	–	–	–	62.3	62.3
Property, plant and equipment	–	–	–	–	29.5	29.5
Goodwill	–	–	–	–	71.2	71.2
Other intangible assets	–	–	–	–	85.2	85.2
Total assets	**2,181.8**	**38.2**	**–**	**–**	**248.2**	**2,468.2**
Liabilities						
Bank and other borrowings	–	–	(1,596.2)	–	–	(1,596.2)
Derivative financial instruments	–	–	–	(0.6)	–	(0.6)
Trade and other payables	–	–	(98.3)	–	–	(98.3)
Current tax liabilities	–	–	–	–	(50.5)	(50.5)
Deferred tax liabilities	–	–	–	–	(14.9)	(14.9)
Total liabilities	**–**	**–**	**(1,694.5)**	**(0.6)**	**(65.4)**	**(1,760.5)**

Financial assets held as available for sale relate to UK government gilts held as part of Vanquis Bank's liquid assets buffer and the Visa asset (see note 22).

						2014
Group	Loans and receivables £m	Available for sale £m	Amortised cost £m	Hedging derivatives £m	Non-financial assets/liabilities £m	Total £m
Assets						
Cash and cash equivalents	80.2	65.7	–	–	–	145.9
Amounts receivable from customers	1,849.2	–	–	–	–	1,849.2
Derivative financial instruments	–	–	–	0.2	–	0.2
Trade and other receivables	24.5	–	–	–	–	24.5
Retirement benefit asset	–	–	–	–	56.0	56.0
Property, plant and equipment	–	–	–	–	27.4	27.4
Goodwill	–	–	–	–	71.2	71.2
Other intangible assets	–	–	–	–	84.3	84.3
Total assets	1,953.9	65.7	–	0.2	238.9	2,258.7
Liabilities						
Bank and other borrowings	–	–	(1,493.0)	–	–	(1,493.0)
Derivative financial instruments	–	–	–	(4.4)	–	(4.4)
Trade and other payables	–	–	(94.3)	–	–	(94.3)
Current tax liabilities	–	–	–	–	(40.4)	(40.4)
Deferred tax liabilities	–	–	–	–	(13.6)	(13.6)
Total liabilities	–	–	(1,587.3)	(4.4)	(54.0)	(1,645.7)

Notes to the financial statements (continued)

17 Financial instruments (continued)

The following table sets out the carrying value of the company's financial assets and liabilities in accordance with the categories of financial instruments set out in IAS 39. Assets and liabilities outside the scope of IAS 39 are shown within non-financial assets/liabilities:

					2015
Company	Loans and receivables £m	Amortised cost £m	Hedging derivatives £m	Non-financial assets/liabilities £m	Total £m
Assets					
Cash and cash equivalents	7.0	–	–	–	7.0
Investment in subsidiaries	–	–	–	496.3	496.3
Trade and other receivables	1,525.5	–	–	–	1,525.5
Retirement benefit asset	–	–	–	62.3	62.3
Property, plant and equipment	–	–	–	7.8	7.8
Total assets	1,532.5	–	–	566.4	2,098.9
Liabilities					
Bank and other borrowings	–	(864.0)	–	–	(864.0)
Derivative financial instruments	–	–	(0.5)	–	(0.5)
Trade and other payables	–	(118.8)	–	–	(118.8)
Current tax liabilities	–	–	–	(0.5)	(0.5)
Deferred tax liabilities	–	–	–	(8.8)	(8.8)
Total liabilities	–	(982.8)	(0.5)	(9.3)	(992.6)

					2014
Company	Loans and receivables £m	Amortised cost £m	Hedging derivatives £m	Non-financial assets/liabilities £m	Total £m
Assets					
Cash and cash equivalents	7.7	–	–	–	7.7
Investment in subsidiaries	–	–	–	496.3	496.3
Trade and other receivables	1,564.3	–	–	–	1,564.3
Retirement benefit asset	–	–	–	56.0	56.0
Property, plant and equipment	–	–	–	7.0	7.0
Total assets	1,572.0	–	–	559.3	2,131.3
Liabilities					
Bank and other borrowings	–	(910.1)	–	–	(910.1)
Derivative financial instruments	–	–	(4.4)	–	(4.4)
Trade and other payables	–	(130.1)	–	–	(130.1)
Current tax liabilities	–	–	–	(1.1)	(1.1)
Deferred tax liabilities	–	–	–	(8.2)	(8.2)
Total liabilities	–	(1,040.2)	(4.4)	(9.3)	(1,053.9)

18 Derivative financial instruments

The majority of derivative financial instruments held by the group are interest rate swaps used to fix the interest rates paid on the group's borrowings. Until August 2014, cross currency swaps were also held to fix the foreign exchange rate on the group's borrowings denominated in US dollars. The cross currency swaps matured on repayment of the US dollar private placements.

The contractual/notional amounts and the fair values of derivative financial instruments are set out below:

	2015			2014		
Group	**Contractual/ notional amount £m**	**Assets £m**	**Liabilities £m**	Contractual/ notional amount £m	Assets £m	Liabilities £m
Interest rate swaps	**120.0**	**–**	**(0.5)**	120.0	–	(4.4)
Foreign exchange contracts	**9.0**	**–**	**(0.1)**	6.5	0.2	–
Total group	**129.0**	**–**	**(0.6)**	126.5	0.2	(4.4)
Analysed as – due within one year		**–**	**–**		0.2	–
– due in more than one year		**–**	**(0.6)**		–	(4.4)
		–	**(0.6)**		0.2	(4.4)

	2015			2014		
Company	**Contractual/ notional amount £m**	**Assets £m**	**Liabilities £m**	Contractual/ notional amount £m	Assets £m	Liabilities £m
Interest rate swaps	**120.0**	**–**	**(0.5)**	120.0	–	(4.4)
Total company	**120.0**	**–**	**(0.5)**	120.0	–	(4.4)
Analysed as – due within one year		**–**	**–**		–	–
– due in more than one year		**–**	**(0.5)**		–	(4.4)
		–	**(0.5)**		–	(4.4)

The fair value of derivative financial instruments has been calculated by discounting contractual future cash flows using relevant market interest rate yield curves and foreign exchange rates prevailing at the balance sheet date.

(a) Hedging reserve movements

The fair value of derivative financial instruments is required to be reflected in the balance sheet. Generally, providing the derivative financial instruments meet certain accounting requirements, any movement in the fair value of the derivative financial instruments caused by fluctuations in interest rates or foreign exchange rates is deferred in the hedging reserve and does not impact the income statement. The group's derivative financial instruments all currently meet these criteria. If the interest rates payable on interest rate swaps are higher than the current interest rate at the balance sheet date, then a derivative liability is recognised. Conversely, if the interest rates payable on interest rate swaps are lower than the current floating interest rate at the balance sheet date, then a derivative asset is recognised.

The movement in the hedging reserve within equity as a result of the changes in the fair value of derivative financial instruments can be summarised as follows:

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Interest rate swaps	**3.9**	2.3	**3.9**	2.3
2004 cross-currency swaps	**–**	(0.2)	**–**	–
Foreign exchange contracts	**(0.3)**	0.1	**–**	–
Net credit to the hedging reserve	**3.6**	2.2	**3.9**	2.3

Under IFRS 13, 'Fair value Measurement', all derivative financial instruments are classed as Level 2 as they are not traded in an active market and the fair value is therefore determined through discounting future cash flows, using appropriate market rates and yield curves.

(b) Income statement

There was no impact on the income statement of the group and the company in the year in respect of the movement in the fair value of ineffective interest rate swaps, previously designated as cash flow hedges (2014: £nil).

Notes to the financial statements (continued)

18 Derivative financial instruments (continued)

(c) Interest rate swaps

The group and company use interest rate swaps in order to manage the interest rate risk on the group's borrowings. The group has entered into various interest rate swaps which were designated and effective under IAS 39 as cash flow hedges at inception. The movement in the fair value of effective interest rate swaps during the year was as follows:

	Group and company	
	2015 £m	2014 £m
Liability at 1 January	**(4.4)**	(6.7)
Credited to the hedging reserve	**3.9**	2.3
Liability at 31 December	**(0.5)**	(4.4)

The weighted average interest rate and period to maturity of the interest rate swaps held by the group and company were as follows:

	2015			2014		
Group and company	**Weighted average interest rate %**	**Range of interest rates %**	**Weighted average period to maturity years**	Weighted average interest rate %	Range of interest rates %	Weighted average period to maturity years
Sterling	**3.2**	**3.1–3.3**	**0.4**	3.2	3.1–3.3	1.4

(d) Cross-currency swaps

The group and company used cross-currency swaps in order to manage the interest rate and foreign exchange rate risk arising on the group's US private placement loan notes issued in 2003 and 2004. All of the cross-currency swaps have now matured, in line with the maturity and repayment of the underlying borrowing.

2004 private placement loan notes

The group put in place cross-currency swaps to swap the principal and fixed rate interest of the 2004 US dollar private placement loan notes into floating rate sterling-denominated interest liabilities. The maturity dates of the cross-currency swaps matched the underlying loan notes which were repaid on 14 August 2014.

The swaps were designated as cash flow and fair value hedges. The cash flow hedge portion of the swaps were designated as cash flow hedges and were effective under IAS 39 until maturity. The fair value movements in the swaps and the exchange movements in the underlying loan notes were deferred in the hedging reserve within equity.

The fair value hedge portion of the swaps were designated and were effective under IAS 39 as fair value hedges. As a result, fair value movements in the swaps were charged to the income statement with a corresponding entry made to the underlying loan notes within borrowings for the effective portion of the swaps, leaving a net charge within the income statement reflecting the net fair value loss on the fair value hedge in the year.

The movement in the fair value of the swaps can be analysed as follows:

	Group	
	2015 £m	2014 £m
Asset at 1 January	**–**	5.4
Exchange rate movement	**–**	(5.2)
Charged to the hedging reserve	**–**	(0.2)
Asset at 31 December	**–**	–

(e) Foreign exchange contracts

The group uses foreign exchange contracts in order to manage the foreign exchange rate risk arising from CCD's euro operations in the Republic of Ireland and Vanquis Bank's branch in Poland up until its closure during 2015. A liability of £0.1m is held in the group balance sheet as at 31 December 2015 in respect of foreign exchange contracts (2014: asset of £0.2m).

The group's foreign exchange contracts comprise forward foreign exchange contracts to buy sterling and sell euros for a total notional amount of £9.0m (2014: £6.5m). These contracts have a range of maturity dates from 18 January 2016 to 13 December 2016 (2014: 20 January 2015 to 20 October 2015). These contracts were designated as cash flow hedges and were effective under IAS 39. Accordingly, the movement in fair value of £0.3m has been charged to the hedging reserve within equity (2014: credit of £0.1m).

19 Trade and other receivables

Non-current assets	Company 2015 £m	Company 2014 £m
Amounts owed by group undertakings	**919.1**	983.8

There are £nil amounts past due and there is no impairment provision held against amounts owed by group undertakings due for repayment in more than one year (2014: £nil). The amounts owed by group undertakings are unsecured, due for repayment in more than one year and accrue interest at rates linked to LIBOR.

Current assets	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Trade receivables	**0.1**	0.1	**–**	–
Other receivables	**12.6**	8.5	**–**	–
Amounts owed by group undertakings	**–**	–	**604.4**	578.1
Prepayments and accrued income	**19.7**	15.9	**2.0**	2.4
Total	**32.4**	24.5	**606.4**	580.5

Trade and other receivables include utility prepayments, prepaid marketing costs, amounts receivable from CCD voucher providers and amounts paid on behalf of the group's pension scheme but not yet recharged.

There are no amounts past due in respect of trade and other receivables due in less than one year (2014: £nil). Within the company, an impairment provision of £123.1m (2014: £122.5m) is held against amounts owed by group undertakings due in less than one year representing the deficiency in the net assets of those group undertakings. There has been a £0.6m charge to the company income statement in 2015 (2014: £nil) in respect of the increased provision.

Amounts owed by group undertakings are unsecured, repayable on demand or within one year, and generally accrue interest at rates linked to LIBOR.

The maximum exposure to credit risk of trade and other receivables equates to the carrying value (2014: carrying value) set out above.

There is no collateral held in respect of trade and other receivables (2014: £nil).

20 Retirement benefit asset

(a) Pension schemes – defined benefit

The retirement benefit asset reflects the difference between the present value of the group's obligation to current and past employees to provide a defined benefit pension and the fair value of assets held to meet that obligation. As at 31 December 2015, the fair value of the assets exceeded the obligation and hence a net pension asset has been recorded. The group's defined benefit pension scheme has been substantially closed to new members since 1 January 2003.

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 16% of employees with company-provided pension arrangements and is of the funded, defined benefit type.

All future benefits in the scheme are now provided on a 'cash balance' basis, with a defined amount being made available at retirement, based on a percentage of salary that is revalued up to retirement with reference to increases in price inflation. This retirement account is then used to purchase an annuity on the open market. The scheme also provides pension benefits that were accrued in the past on a final salary basis, but which are no longer linked to final salary. The scheme also provides death benefits.

The scheme is a UK registered pension scheme under UK legislation and is not contracted-out of the Second State Pension. The scheme is governed by a Trust Deed and Rules, with trustees responsible for the operation and the governance of the scheme. The Trustees work closely with the group on funding and investment strategy decisions. The most recent actuarial valuation of the scheme was carried out as at 1 June 2015 by a qualified independent actuary. The valuation used for the purposes of IAS 19 'Employee benefits', has been based on results of the 2015 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 group is entitled to a refund of any surplus, subject to tax, if the scheme winds up after all benefits have been paid.

Financial statements

Notes to the financial statements (continued)

20 Retirement benefit asset (continued)

The group is exposed to a number of risks, the most significant of which are as follows:

> Investment risk – the liabilities for IAS 19 purposes are calculated using a discount rate set with reference to corporate bond yields. If the assets underperform this yield a deficit will arise. The scheme has a long-term objective to reduce the level of investment risk by investing in assets that better match liabilities.

> Change in bond yields – a decrease in corporate bond yields will increase the liabilities, although this will be partly offset by an increase in matching assets.

> Inflation risk – part of the liabilities are linked to inflation. If inflation increases then liabilities will increase, although this will be partly offset by an increase in assets. As part of a long-term de-risking strategy, the scheme has increased its portfolio in inflation matched assets.

> Life expectancies – the scheme's final salary benefits provide pensions for the rest of members' lives (and for their spouses' lives). If members live longer than assumed, then the liabilities in respect of final salary benefits increase.

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

	Group and company			
	2015 £m	2015 %	2014 £m	2014 %
Equities	**74.7**	**11**	249.2	36
Other diversified return seeking investments	**67.5**	**10**	65.5	9
Corporate bonds	**133.0**	**20**	137.8	20
Fixed interest gilts	**208.3**	**31**	80.6	11
Index-linked gilts	**181.7**	**28**	164.9	24
Cash and money market funds	**1.2**	**–**	2.1	–
Total fair value of scheme assets	**666.4**	**100**	700.1	100
Present value of funded defined benefit obligation	**(604.1)**		(644.1)	
Net retirement benefit asset recognised in the balance sheet	**62.3**		56.0	

As part of a de-risking strategy agreed between the company and the pension trustees to hedge the inflation and interest rate risks associated with the liabilities of the pension scheme, a substantial amount of more volatile growth funds (equities) were reinvested in liability protection assets (fixed interest and index-linked gilts) in January 2015.

The valuation of the pension scheme has increased from £56.0m at 31 December 2014 to £62.3m at 31 December 2015. A high level reconciliation of the movement is as follows:

Group and company	**£m**
Pension asset as at 31 December 2014	**56**
Cash contributions made by the group	**12**
Actuarially based cost of new benefits	**(3)**
Reduction in future liabilities due to CCD business restructuring	**3**
Return on assets being held to meet pension obligations	**(50)**
Increase in discount rate used to discount future liabilities	**6**
Reduction in inflation rate used to forecast pensions	**6**
Changes to align mortality assumptions to latest mortality tables	**8**
2015 valuation alignments in relation to deaths, leavers and benefits	**14**
Lower inflationary pension increases from 1 January 2016	**10**
Pension asset as at 31 December 2015	**62**

The amounts recognised in the income statement were as follows:

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Current service cost	**(5.0)**	(5.8)	**(5.0)**	(5.8)
Interest on scheme liabilities	**(23.5)**	(25.5)	**(23.5)**	(25.5)
Interest on scheme assets	**25.7**	26.9	**25.7**	26.9
Contributions from subsidiaries	**–**	–	**11.6**	12.4
Net (charge)/credit recognised in the income statement before exceptional curtailment credit	**(2.8)**	(4.4)	**8.8**	8.0
Exceptional curtailment credit	**2.6**	0.6	**2.6**	0.6
Net (charge)/credit recognised in the income statement	**(0.2)**	(3.8)	**11.4**	8.6

20 Retirement benefit asset (continued)

The exceptional curtailment credit of £2.6m (2014: £0.6m) relates to the reduction in headcount of 500 (2014: 225) following the business restructuring within CCD (see note 1).

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

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

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Fair value of scheme assets at 1 January	**700.1**	613.8	**700.1**	613.8
Interest on scheme assets	**25.7**	26.9	**25.7**	26.9
Contributions by subsidiaries	**–**	–	**11.6**	12.4
Actuarial movement on scheme assets	**(52.4)**	77.9	**(52.4)**	77.9
Contributions by the group/company	**12.2**	13.1	**0.6**	0.7
Net benefits paid out	**(19.2)**	(31.6)	**(19.2)**	(31.6)
Fair value of scheme assets at 31 December	**666.4**	700.1	**666.4**	700.1

The group contributions to the defined benefit pension scheme in the year ending 31 December 2016 are expected to be approximately £11m.

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

	Group and company	
	2015 £m	2014 £m
Present value of the defined benefit obligation at 1 January	**(644.1)**	(584.6)
Current service cost	**(5.0)**	(5.8)
Interest on scheme liabilities	**(23.5)**	(25.5)
Exceptional curtailment credit	**2.6**	0.6
Actuarial movement on scheme liabilities	**46.7**	(60.4)
Net benefits paid out	**19.2**	31.6
Present value of the defined benefit obligation at 31 December	**(604.1)**	(644.1)

The liabilities of the scheme are based on the current value of expected benefit payments over the next 90 years. The weighted average duration of the scheme is approximately 18 years.

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

	Group and company	
	2015 %	2014 %
Price inflation – RPI	**3.00**	3.10
Price inflation – CPI	**2.00**	2.10
Rate of increase to pensions in payment	**2.80**	2.90
Inflationary increases to pensions in deferment	**2.00**	2.10
Discount rate	**3.75**	3.70

The pension increase assumption shown above applies to pensions increasing in payment each year in line with RPI up to 5%. Pensions accrued prior to 2000 are substantially subject to fixed 5% increases each year. In deferment increases prior to retirement are linked to CPI.

The mortality assumptions are based on the self-administered pension scheme (SAPS) series 1 tables, with multipliers of 105% and 115% respectively for males and females. The 5% upwards adjustment to mortality rates for males and a 15% upwards adjustment for females reflects the lower life expectancies within the scheme compared to average pension schemes, which was concluded following a study of the scheme's membership. Future improvements in mortality are based on the Continuous Mortality Investigation (CMI) 2015 model with a long-term improvement trend of 1.25% per annum. Under these mortality assumptions, the life expectancies of members are as follows:

	Male		Female	
Group and company	**2015 years**	2014 years	**2015 years**	2014 years
Current pensioner aged 65	**21.7**	22.0	**23.3**	23.5
Current member aged 45 from age 65	**23.4**	23.7	**25.1**	25.4

Notes to the financial statements (continued)

20 Retirement benefit asset (continued)

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

	Group and company	
	2015 £m	2014 £m
Discount rate decreased by 0.1%	**11**	14
Inflation increased by 0.1%	**5**	9
Life expectancy increased by 1 year	**18**	19

The actual return on scheme assets compared to the expected return is as follows:

	Group and company	
	2015 £m	2014 £m
Interest on scheme assets	**25.7**	26.9
Actuarial movement on scheme assets	**(52.4)**	77.9
Actual return on scheme assets	**(26.7)**	104.8

Actuarial gains and losses are recognised through other comprehensive income in the period in which they occur.

An analysis of the amounts recognised in the statement of comprehensive income is as follows:

	Group and company	
	2015 £m	2014 £m
Actuarial movement on scheme assets	**(52.4)**	77.9
Actuarial movement on scheme liabilities	**46.7**	(60.4)
Total movement recognised in other comprehensive income in the year	**(5.7)**	17.5
Cumulative movement recognised in other comprehensive income	**(81.9)**	(76.2)

The history of the net retirement benefit asset recognised in the balance sheet and experience adjustments for the group is as follows:

	Group and company				
	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Fair value of scheme assets	**666.4**	700.1	613.8	570.7	525.0
Present value of funded defined benefit obligation	**(604.1)**	(644.1)	(584.6)	(547.7)	(511.5)
Retirement benefit asset recognised in the balance sheet	**62.3**	56.0	29.2	23.0	13.5
Experience (losses)/gains on scheme assets:					
– amount (£m)	**(52.4)**	77.9	20.1	25.3	(13.4)
– percentage of scheme assets (%)	**(7.9)**	11.9	3.3	4.4	(2.6)
Experience gains/(losses) on scheme liabilities:					
– amount (£m)	**25.9**	4.1	(0.9)	16.3	(6.1)
– percentage of scheme liabilities (%)	**4.3**	0.7	(0.2)	3.0	(1.2)

(b) Pension schemes – defined contribution

The group operates a stakeholder pension plan into which group companies contribute a proportion of pensionable earnings of the member (typically ranging between 5.1% and 10.6%) dependent on the proportion of pensionable earnings contributed by the member through a salary sacrifice arrangement (typically ranging between 3.0% and 8.0%). The assets of the scheme are held separately from those of the group and company. The pension charge in the consolidated income statement represents contributions paid by the group in respect of the plan and amounted to £5.5m for the year ended 31 December 2015 (2014: £4.5m). Contributions made by the company amounted to £0.4m (2014: £0.4m). No contributions were payable to the fund at the year-end (2014: £nil).

The group contributed £0.2m to personal pension plans in the year (2014: £0.1m), £0.5m into the Undefined, Unapproved Retirement Benefit Scheme (UURBS) (2014: £0.4m) and £0.2m into cash supplements (2014: £nil).

21 Deferred tax

Deferred tax is a future tax liability or asset resulting from temporary differences or timing differences between the accounting value of assets and liabilities and their value for tax purposes. Deferred tax arises primarily in respect of derivative financial instruments, the group's pension asset, deductions for employee share awards which are recognised differently for tax purposes, property, plant and equipment which is depreciated on a different basis for tax purposes, certain cost provisions for which tax deductions are only available when the costs are paid and available for sale assets which are taxed only on disposal. The deferred tax liability recognised on the acquisition of Moneybarn relates primarily to the intangible asset in respect of Moneybarn's broker relationships which will be amortised in future periods but for which tax deductions will not be available. This is presented net of deferred tax assets in respect of the transitional adjustments arising in Moneybarn on adoption of IFRS, tax relief for which is available in post acquisition periods.

Deferred tax is calculated in full on temporary differences under the balance sheet liability method. During 2015, further reductions in corporation tax rates were enacted, reducing the corporation tax rate from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effect from 1 April 2020. In addition, the Government introduced a bank corporation tax surcharge, enacted in the 2015 Finance (No.2) Act, which imposes, with effect from 1 January 2016, an additional 8% corporation tax on profits of banking companies over £25m. Vanquis Bank is a banking company for these purposes . As the temporary differences on which deferred tax is calculated as at 31 December 2015 are expected to largely reverse after 1 April 2020 (2014: 1 April 2015), deferred tax at 31 December 2015 has been re-measured at 18% (2014: 20%) and, in the case of Vanquis Bank, at the combined mainstream corporation tax and bank surcharge rate of 26% (2014: 20%). In 2015, movements in the deferred tax balances have been measured at the mainstream corporation tax rate for the year of 20.25% (2014: 21.5%). A tax credit in 2015 of £2.4m (2014: credit of £1.3m) represents the income statement adjustment to deferred tax as a result of these changes and an additional deferred tax charge of £0.2m (2014: credit of £0.3m) has been taken directly to other comprehensive income in respect of items previously reflected directly in other comprehensive income. The movement in the deferred tax balance during the year can be analysed as follows:

	Group		Company	
(Liability)/asset	**2015 £m**	2014 £m	**2015 £m**	2014 £m
At 1 January	**(13.6)**	3.5	**(8.2)**	(2.8)
Charge to the income statement (note 5)	**(0.2)**	(3.0)	**(1.9)**	(1.5)
Acquisition of Moneybarn (note 10)	**–**	(11.5)	**–**	–
(Charge)/credit on other comprehensive income prior to impact of change in UK tax rate (note 5)	**(3.3)**	(4.2)	**0.4**	(4.3)
Impact of change in UK tax rate:				
– credit to the income statement	**2.4**	1.3	**–**	0.1
– (charge)/credit to other comprehensive income	**(0.2)**	0.3	**0.9**	0.3
At 31 December	**(14.9)**	(13.6)	**(8.8)**	(8.2)

An analysis of the deferred tax liability for the group is set out below:

	2015				2014			
Group – (liability)/asset	**Accelerated capital allowances £m**	**Other temporary differences £m**	**Retirement benefit obligations £m**	**Total £m**	Accelerated capital allowances £m	Other temporary differences £m	Retirement benefit obligations £m	Total £m
At 1 January	**2.0**	**(4.7)**	**(10.9)**	**(13.6)**	1.7	7.6	(5.8)	3.5
Credit/(charge) to the income statement	**0.5**	**1.7**	**(2.4)**	**(0.2)**	0.3	(1.6)	(1.7)	(3.0)
Acquisition of Moneybarn (note 10)	**–**	**–**	**–**	**–**	–	(11.5)	–	(11.5)
(Charge)/credit on other comprehensive income prior to change in UK tax rate	**–**	**(4.5)**	**1.2**	**(3.3)**	–	(0.4)	(3.8)	(4.2)
Impact of change in UK tax rate:								
– (charge)/credit to the income statement	**(0.1)**	**2.3**	**0.2**	**2.4**	–	1.2	0.1	1.3
– (charge)/credit to other comprehensive income	**–**	**(1.1)**	**0.9**	**(0.2)**	–	–	0.3	0.3
At 31 December	**2.4**	**(6.3)**	**(11.0)**	**(14.9)**	2.0	(4.7)	(10.9)	(13.6)

Notes to the financial statements (continued)

21 Deferred tax (continued)

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

				2015				2014
Company – (liability)/asset	**Accelerated capital allowances £m**	**Other temporary differences £m**	**Retirement benefit obligations £m**	**Total £m**	Accelerated capital allowances £m	Other temporary differences £m	Retirement benefit obligations £m	Total £m
At 1 January	**(0.3)**	**3.0**	**(10.9)**	**(8.2)**	(0.4)	3.4	(5.8)	(2.8)
Credit/(charge) to the income statement	**0.1**	**0.4**	**(2.4)**	**(1.9)**	0.1	0.1	(1.7)	(1.5)
(Charge)/credit on other comprehensive income prior to impact of change in UK tax rate	–	**(0.8)**	**1.2**	**0.4**	–	(0.5)	(3.8)	(4.3)
Impact of change in UK tax rate:								
– (charge)/credit to the income statement	–	**(0.2)**	**0.2**	–	–	–	0.1	0.1
– credit to other comprehensive income	–	–	**0.9**	**0.9**	–	–	0.3	0.3
At 31 December	**(0.2)**	**2.4**	**(11.0)**	**(8.8)**	(0.3)	3.0	(10.9)	(8.2)

Deferred tax assets have been recognised in respect of all temporary differences because it is probable that these assets will be recovered.

22 Cash and cash equivalents

Cash and cash equivalents includes cash at bank, floats held by agents within CCD and Vanquis Bank's liquid assets buffer, including other liquid resources, held in accordance with the PRA's liquidity regime. The PRA requires regulated entities to maintain a liquid assets buffer and other liquid resources to ensure they have available funds to help protect against unforeseen circumstances. The amount of the liquid assets buffer is calculated using Individual Liquidity Guidance (ILG) set by the PRA based on the Individual Liquidity Adequacy Assessment Process (ILAAP) prepared by Vanquis Bank. In addition, further liquid resources must be maintained based upon daily stress tests linked to three key liquidity risks of Vanquis Bank, namely retail deposits maturities, undrawn credit card lines and operating cash flows. This results in a dynamic liquid resources requirement, largely driven by retail deposits maturities in the following three months. Vanquis Bank's liquid assets buffer, including other liquid resources, amounts to £134.2m at 31 December 2015 (2014: £121.4m) and is held in a combination of UK government gilts of £20.7m (2014: £65.7m) and a Bank of England reserves account of £113.5m (2014: £55.7m).

		Group		**Company**
	2015 £m	2014 £m	**2015 £m**	2014 £m
Cash at bank and in hand	**153.4**	145.9	**7.0**	7.7

In addition to cash and cash equivalents, the group had £14.1m of bank overdrafts at 31 December 2015 (2014: £5.2m) and the company had £12.9m of bank overdrafts (2014: £2.6m) both of which are disclosed within bank and other borrowings (see note 23).

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

		Group		**Company**
	2015 £m	2014 £m	**2015 £m**	2014 £m
Sterling	**153.2**	143.5	**7.0**	7.0
Euro	**0.1**	0.2	**–**	–
Zloty	**0.1**	2.2	**–**	0.7
Total cash and cash equivalents	**153.4**	145.9	**7.0**	7.7

Cash and cash equivalents are non-interest bearing other than the amounts held by Vanquis Bank as a liquid assets buffer and other liquid resources in adherence with the PRA's liquidity regime which bear interest at rates linked to sterling Government bonds and the Bank of England base rate.

23 Bank and other borrowings

(a) Borrowing facilities and borrowings

Borrowings principally comprise syndicated and bilateral bank facilities arranged for periods of up to five years, together with overdrafts and uncommitted loans which are repayable on demand, senior public bonds (see note 23(d)), loan notes privately placed with UK institutions (see note 23(e)), retail bonds (see note 23(f)), retail deposits issued by Vanquis Bank (see note 23(g)) and subordinated loan notes (see note 23(h)). As at 31 December 2015, borrowings under these facilities amounted to £1,596.2m (2014: £1,493.0m).

(b) Maturity profile of bank and other borrowings

The maturity of borrowings, together with the maturity of facilities, is as follows:

Group	2015 Borrowing facilities available £m	2015 Borrowings £m	2014 Borrowing facilities available £m	2014 Borrowings £m
Repayable:				
On demand	**23.7**	**14.1**	23.9	5.2
In less than one year	**239.3**	**239.3**	130.1	130.1
Included in current liabilities	**263.0**	**253.4**	154.0	135.3
Between one and two years	**279.8**	**279.0**	192.4	192.1
Between two and five years	**1,142.0**	**918.9**	1,144.1	1,030.8
In more than five years	**150.0**	**144.9**	140.2	134.8
Included in non-current liabilities	**1,571.8**	**1,342.8**	1,476.7	1,357.7
Total group	**1,834.8**	**1,596.2**	1,630.7	1,493.0

Borrowings are stated after deducting £6.7m of unamortised arrangement fees (2014: £7.5m).

In order to reconcile the borrowings shown in the table above and the headroom on committed facilities shown in 23(i), the facilities and borrowings in respect of amounts repayable on demand should be deducted and unamortised arrangement fees should be added back to borrowings as follows:

Group	2015 Facilities £m	2015 Borrowings £m	2014 Facilities £m	2014 Borrowings £m
Total group facilities and borrowings	**1,834.8**	**1,596.2**	1,630.7	1,493.0
Repayable on demand	**(23.7)**	**(14.1)**	(23.9)	(5.2)
Unamortised arrangement fees	**–**	**6.7**	–	7.5
Total group committed facilities and borrowings	**1,811.1**	**1,588.8**	1,606.8	1,495.3
Headroom on committed facilities		**222.3**		111.5

Company	2015 Borrowing facilities available £m	2015 Borrowings £m	2014 Borrowing facilities available £m	2014 Borrowings £m
Repayable:				
On demand	**23.7**	**12.9**	23.9	2.6
In less than one year	**60.0**	**60.0**	6.0	6.0
Included in current liabilities	**83.7**	**72.9**	29.9	8.6
Between one and two years	**130.0**	**129.1**	60.0	59.7
Between two and five years	**740.1**	**517.1**	820.3	707.0
In more than five years	**150.0**	**144.9**	140.2	134.8
Included in non-current liabilities	**1,020.1**	**791.1**	1,020.5	901.5
Total company	**1,103.8**	**864.0**	1,050.4	910.1

Notes to the financial statements (continued)

23 Bank and other borrowings (continued)

(b) Maturity profile of bank and other borrowings (continued)

As at 31 December 2015, the weighted average period to maturity of the group's committed facilities, including retail deposits, was 2.8 years (2014: 3.1 years) and for the company's committed facilities was 3.2 years (2014: 3.5 years). Excluding retail deposits, the weighted average period to maturity of the group's committed facilities was 3.2 years (2014: 3.5 years).

(c) Interest rate and currency profile of bank and other borrowings

Before taking account of the various interest rate swaps and cross-currency swap arrangements entered into by the group and company, the interest rate and foreign exchange rate exposure on borrowings is as follows:

Group	Fixed £m 2015	Floating £m 2015	Total £m 2015	Fixed £m 2014	Floating £m 2014	Total £m 2014
Sterling	**1,295.0**	**245.4**	**1,540.4**	1,089.6	331.5	1,421.1
Euro	**–**	**55.8**	**55.8**	–	54.5	54.5
Zloty	**–**	**–**	**–**	–	17.4	17.4
Total group	**1,295.0**	**301.2**	**1,596.2**	1,089.6	403.4	1,493.0

Company	Fixed £m 2015	Floating £m 2015	Total £m 2015	Fixed £m 2014	Floating £m 2014	Total £m 2014
Sterling	**564.0**	**244.2**	**808.2**	509.3	328.9	838.2
Euro	**–**	**55.8**	**55.8**	–	54.5	54.5
Zloty	**–**	**–**	**–**	–	17.4	17.4
Total company	**564.0**	**300.0**	**864.0**	509.3	400.8	910.1

As detailed in note 18, the group and company have entered into various interest rate swaps and had entered into various cross-currency swap arrangements to hedge the interest rate and foreign exchange rate exposures on borrowings. After taking account of the aforementioned interest rate swaps, the group's fixed rate borrowings are £1,415.0m (2014: £1,209.6m) and the company's fixed rate borrowings are £684.0m (2014: £629.3m).

(d) Senior public bonds

On 23 October 2009, the company issued £250.0m of senior public bonds. The bonds have an annual coupon of 8.0% and are repayable on 23 October 2019.

(e) Private placement loan notes

On 12 August 2004, the group issued loan notes as follows:

(i) US$30m of 6.02% loan notes matured and repaid on 12 August 2011;

(ii) US$67m of 6.45% loan notes matured and repaid on 12 August 2014; and

(iii) £2m of 7.01% loan notes matured and repaid on 12 August 2014.

All US dollar-denominated loan notes matured and were repaid in 2014.

On 13 January 2011, the company entered into a committed £100.0m facility agreement with the Prudential/M&G Investments UK Companies Financing Fund to provide a 10-year term loan which amortises between years five and 10. The first repayment of £10.0m is due on 13 January 2016 with the second repayment of £10.0m due on 13 January 2017. The facility bears interest at rates linked to LIBOR.

The company has also entered into the following arrangements with third-party debt providers:

> 3 February 2011 – €10m facility agreement over a seven-year period at rates linked to EURIBOR, repaid at the company's option, one year ahead of maturity, on 24 May 2014;

> 4 March 2011 – £20m private placement loan notes over a seven-year period at rates linked to LIBOR; and

> 24 May 2011 – £14.5m private placement loan notes over a four-year period at rates linked to EURIBOR, repaid on 27 May 2014.

23 Bank and other borrowings (continued)

(f) Retail bonds

The company has issued five retail bonds on the ORB platform established by the London Stock Exchange as follows:

Issue date	Amount £m	Rate %	Maturity date
14 April 2010	25.2	7.5%*	14 April 2020
25 March 2011	50.0	7.5%	30 September 2016
4 April 2012	120.0	7.0%	4 October 2017
27 March 2013	65.0	6.0%	27 September 2021
9 April 2015	60.0	5.125%	9 October 2023
Total group and company	320.2		

* Represents an all-in cost of 7.5%, comprising a 7.0% interest rate payable to the bond holder and 0.5% payable to the distributor.

(g) Retail deposits

Vanquis Bank is a PRA regulated bank and commenced taking retail deposits in July 2011. As at 31 December 2015, £731.0m (2014: £580.3m) of fixed-rate, fixed-term retail deposits of one, two, three, four and five years had been taken. The deposits in issue at 31 December 2015 have been issued at rates of between 1.51% and 3.02%.

A reconciliation of the movement in retail deposits is set out below:

Group	2015 £m	2014 £m
At 1 January	**580.3**	435.1
New funds received	**225.7**	190.7
Maturities	**(121.6)**	(69.7)
Retentions	**58.5**	26.6
Cancellations	**(19.4)**	(8.9)
Capitalised interest	**7.5**	6.5
At 31 December	**731.0**	580.3

(h) Subordinated loan notes

On 15 June 2005, the company issued £100.0m of subordinated loan notes repayable on 15 June 2015. £94.0m of the liability was settled in 2009 and the remaining £6.0m was settled on maturity. The rights of repayment to holders of the loan notes were subordinated to all other borrowings and liabilities of the company upon a winding up of the company and, in certain circumstances, upon its administration.

(i) Undrawn committed borrowing facilities

The group's funding and liquidity policy is designed to ensure that the group is able to continue to fund the growth of the business. The group therefore maintains headroom on its committed borrowing facilities to fund growth and contractual maturities for at least the following 12 months, after assuming that Vanquis Bank will fully fund itself through retail deposits and repay its intercompany loan to Provident Financial plc.

The undrawn committed borrowing facilities at 31 December were as follows:

	Group and company	
	2015 £m	2014 £m
Expiring within one year	**–**	–
Expiring within one to two years	**–**	–
Expiring in more than two years	**222.3**	111.5
Total group and company	**222.3**	111.5

The table above excludes the additional capacity for Vanquis Bank to take retail deposits up to the value of the intercompany loan from Provident Financial plc of £283.0m as at 31 December 2015. Accordingly, Vanquis Bank's retail deposits capacity at 31 December 2015 amounts to £283.0m. The group's total funding capacity at the end of 2015 therefore amounts to £505.3m, being the group's headroom on undrawn committed borrowing facilities of £222.3m plus the amount of Vanquis Bank's intercompany loan of £283.0m.

Notes to the financial statements (continued)

23 Bank and other borrowings (continued)

(j) Weighted average interest rates and periods to maturity

Before taking account of the various interest rate swaps and cross-currency swap arrangements entered into by the group and company, the weighted average interest rate and the weighted average period to maturity of the group and company's fixed-rate borrowings is as follows:

Group	2015 Weighted average interest rate %	2015 Weighted average period to maturity years	2014 Weighted average interest rate %	2014 Weighted average period to maturity years
Sterling	**4.80**	**2.94**	5.18	3.27

Company	2015 Weighted average interest rate %	2015 Weighted average period to maturity years	2014 Weighted average interest rate %	2014 Weighted average period to maturity years
Sterling	**7.19**	**3.77**	7.41	4.26

After taking account of interest rate swaps and cross-currency swaps, the sterling-weighted average fixed interest rate for the group was 4.67% (2014: 4.98%) and for the company was 6.50% (2014: 6.62%). The sterling-weighted average period to maturity on the same basis is 2.9 years (2014: 3.3 years) for the group and 3.6 years (2014: 4.3 years) for the company.

(k) Fair values

The fair values of the group and company's bank and other borrowings are compared to their book values as follows:

Group	2015 Book value £m	2015 Fair value £m	2014 Book value £m	2014 Fair value £m
Bank loans and overdrafts	**167.6**	**167.6**	268.7	268.7
Senior public bonds	**250.0**	**283.4**	250.0	284.8
Sterling private placement loan notes	**120.0**	**134.7**	120.0	138.5
Euro private placement loan notes	**7.4**	**8.1**	7.8	8.6
Retail bonds	**320.2**	**333.0**	260.2	278.2
Retail deposits	**731.0**	**746.4**	580.3	607.1
Subordinated loan notes	**–**	**–**	6.0	6.3
Total group	**1,596.2**	**1,673.2**	1,493.0	1,592.2

Company	2015 Book value £m	2015 Fair value £m	2014 Book value £m	2014 Fair value £m
Bank loans and overdrafts	**166.4**	**166.4**	266.1	266.1
Senior public bonds	**250.0**	**283.4**	250.0	284.8
Sterling private placement loan notes	**120.0**	**134.7**	120.0	138.5
Euro private placement loan notes	**7.4**	**8.1**	7.8	8.6
Retail bonds	**320.2**	**333.0**	260.2	278.2
Subordinated loan notes	**–**	**–**	6.0	6.3
Total company	**864.0**	**925.6**	910.1	982.5

The fair value of the sterling and euro private placement loan notes, the retail deposits and the subordinated loan notes have been calculated by discounting the expected future cash flows at the relevant market interest rate yield curves prevailing at the balance sheet date. The fair value of the senior public bonds and retail bonds equate to their publicly quoted market price at the balance sheet date.

24 Trade and other payables

	Group		Company	
Current liabilities	2015 £m	2014 £m	2015 £m	2014 £m
Trade payables	2.1	3.3	–	–
Amounts owed to group undertakings	–	–	89.5	104.5
Other payables including taxation and social security	9.1	11.0	1.5	1.4
Accruals	87.1	80.0	27.8	24.2
Total	98.3	94.3	118.8	130.1

The amounts owed to group undertakings are unsecured, due for repayment in less than one year and accrue interest at rates linked to LIBOR.

Accruals principally relate to normal operating accruals such as rent, rates and utilities, interest accrued on the group's borrowings and national insurance contributions accrued in respect of share-based payments. The increase during 2015 principally reflects the growth of Moneybarn and interest accruals relating to retail deposits.

25 Share capital

		2015		2014	
Group and company		Authorised	Issued and fully paid	Authorised	Issued and fully paid
Ordinary shares of 20⁸⁄₁₁p each	– £m	40.0	30.5	40.0	30.3
	– number (m)	193.0	147.2	193.0	146.4

The movement in the number of shares in issue during the year was as follows:

Group and company	2015 m	2014 m
At 1 January	146.4	139.6
Shares issued pursuant to the exercise/vesting of options and awards	0.8	0.9
Placing of ordinary shares to in respect of the acquisition of Moneybarn	–	5.9
At 31 December	147.2	146.4

The shares issued pursuant to the exercise/vesting of options and awards comprised 760,488 ordinary shares (2014: 886,497) with a nominal value of £104,482 (2014: £183,746) and an aggregate consideration of £2.6m (2014: £2.2m). In addition, in 2014 the shares issued as part of the placing in respect of Moneybarn comprised 1,225,257 ordinary shares with a nominal value of 5,911,330 and an aggregate consideration of £120.0m. Costs associated with the placement, amounting to £3.1m, were deducted from the share premium account.

Provident Financial plc sponsors the Provident Financial plc 2007 Employee Benefit Trust (EBT) which is a discretionary trust established for the benefit of the employees of the group. The company has appointed Kleinwort Benson (Jersey) Trustees Limited to act as trustee of the EBT. The trustee has waived the right to receive dividends on the shares it holds. As at 31 December 2015, the EBT held 2,556,478 (2014: 2,535,307) shares in the company with a cost of £0.4m (2014: £0.6m) and a market value of £80.1m (2014: £76.3m). The shares have been acquired by the EBT to meet obligations under the Provident Financial Long Term Incentive Scheme 2006 and the 2013 Performance Share Plan.

Provident Financial plc also sponsors the Performance Share Plan Trust which was established to operate in conjunction with the Performance Share Plan (PSP). As at 31 December 2015, awards under the PSP, held in the name of the individual subject to the award, were 966,020 (2014: 942,626) ordinary shares with a cost of £0.2m (2014: £0.2m) and a market value of £33.5m (2014: £23.2m).

Notes to the financial statements (continued)

26 Share-based payments

The group issues share options and awards to employees as part of its employee remuneration packages. The group operates three equity settled share schemes: the Long Term Incentive Scheme (LTIS), employees' savings-related share option schemes typically referred to as Save As You Earn schemes (SAYE), and the Performance Share Plan (PSP). In 2015 the group introduced a cash-settled share incentive scheme, the Provident Financial Equity Plan (PFEP) for eligible employees based on a percentage of salary. The group also previously operated senior executive share option schemes (ESOS/SESO), although no options have been granted under these schemes since 2006.

When an equity settled share option or award is granted, a fair value is calculated based on the share price at grant date, probability of the option/award vesting, the group's recent share price volatility, and the risk associated with the option/award. A fair value is calculated based on the value of awards granted and adjusted at each balance sheet date for the probability of vesting against performance conditions.

The fair value of all options/awards are charged to the income statement on a straight-line basis over the vesting period of the underlying option/award.

During 2015, awards/options have been granted under the LTIS, PSP, SAYE and PFEP schemes (2014: awards/options granted under the LTIS, PSP and SAYE schemes). The increase in the equity-settled share-based payment charge from £8.7m in 2014 to £10.5m in 2015, principally reflects higher expected levels of vesting of LTIS schemes based on the group's current performance.

(a) Equity-settled schemes

The charge to the income statement in 2015 for equity settled schemes was £10.5m for the group (2014: £8.7m) and £5.3m for the company (2014: £4.6m).

The fair value per award/option granted and the assumptions used in the calculation of the equity settled share-based payment charges for the group and company are as follows:

			2015			2014
Group	**PSP**	**LTIS**	**SAYE**	PSP	LTIS	SAYE
Grant date	**25 Feb 2015**	**25 Feb 2015**	**18 Sep 2015**	8 April 2014	8 April 2014	5 Sep 2014
Share price at grant date (£)	**£27.26**	**£27.26**	**£30.90**	18.99	18.99	21.31
Exercise price (£)	**–**	**–**	**£21.58**	–	–	16.44
Shares awarded/under option (number)	**179,008**	**319,478**	**233,006**	202,689	413,853	269,202
Vesting period (years)	**3**	**3**	**3 and 5**	3	3	3 and 5
Expected volatility	**20.0%**	**20.0%**	**20.8%–22.7%**	21.8%	21.8%	21.2%–22.2%
Award/option life (years)	**3**	**3**	**Up to 5**	3	3	Up to 5
Expected life (years)	**3**	**3**	**Up to 5**	3	3	Up to 5
Risk-free rate	**1.19%**	**1.19%**	**1.21%–1.53%**	1.41%	1.41%	1.23%–1.75%
Expected dividends expressed as a dividend yield	**n/a**	**n/a**	**3.0%**	n/a	n/a	4.4%
Fair value per award/option (£)	**27.26**	**20.39–27.26**	**6.57–7.41**	18.99	13.97–18.99	4.16–4.27

			2015			2014
Company	**PSP**	**LTIS**	**SAYE**	PSP	LTIS	SAYE
Grant date	**25 Feb 2015**	**25 Feb 2015**	**18 Sep 2015**	8 April 2014	8 April 2014	5 Sep 2014
Share price at grant date (£)	**£27.26**	**£27.26**	**£30.90**	18.99	18.99	21.31
Exercise price (£)	**–**	**–**	**£21.58**	–	–	16.44
Shares awarded/under option (number)	**105,922**	**126,494**	**8,678**	132,316	175,366	15,290
Vesting period (years)	**3**	**3**	**3 and 5**	3	3	3 and 5
Expected volatility	**20.0%**	**20.0%**	**20.8%–22.7%**	21.8%	21.8%	21.2%–22.2%
Award/option life (years)	**3**	**3**	**Up to 5**	3	3	Up to 5
Expected life (years)	**3**	**3**	**Up to 5**	3	3	Up to 5
Risk-free rate	**1.19%**	**1.19%**	**1.21%–1.53%**	1.41%	1.41%	1.23%–1.75%
Expected dividends expressed as a dividend yield	**n/a**	**n/a**	**3.0%**	n/a	n/a	4.4%
Fair value per award/option (£)	**27.26**	**20.39**	**6.57–7.41**	18.99	13.97	4.16–4.27

The expected volatility is based on historical volatility over the last three or five years depending on the length of the option/award. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero coupon UK Government bonds of a similar duration to the life of the share option.

26 Share-based payments (continued)

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

	PSP		LTIS		SAYE		ESOS/SESO	
Group	**Number**	**Weighted average exercise price £**	**Number**	**Weighted average exercise price £**	**Number**	**Weighted average exercise price £**	**Number**	**Weighted average exercise price £**
Outstanding at 1 January 2015	**719,525**	**–**	**1,356,343**	**–**	**814,660**	**12.25**	**10,820**	**5.77**
Awarded/granted	**179,008**	**–**	**319,478**	**–**	**233,006**	**21.65**	**–**	**–**
Lapsed	**–**	**–**	**(108,178)**	**–**	**(90,407)**	**14.02**	**–**	**–**
Exercised	**(249,507)**	**–**	**(383,226)**	**–**	**(256,410)**	**9.39**	**–**	**–**
Outstanding at 31 December 2015	**649,026**	**–**	**1,184,417**	**–**	**700,849**	**16.35**	**10,820**	**5.77**
Exercisable at 31 December 2015	**–**	**–**	**–**	**–**	**20,851**	**9.67**	**10,820**	**5.77**

	PSP		LTIS		SAYE		ESOS/SESO	
Group	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January 2014	775,506	–	1,938,223	–	902,784	9.56	10,820	5.77
Awarded/granted	202,689	–	413,853	–	269,202	16.44	–	–
Lapsed	(655)	–	(265,058)	–	(86,737)	10.56	–	–
Exercised	(258,015)	–	(730,675)	–	(270,589)	7.91	–	–
Outstanding at 31 December 2014	719,525	–	1,356,343	–	814,660	12.25	10,820	5.77
Exercisable at 31 December 2014	–	–	–	–	22,650	8.12	10.820	5.77

Share awards outstanding under the LTIS scheme at 31 December 2015 had an exercise price of £nil (2014: £nil) and a weighted average remaining contractual life of 1.1 years (2014: 1.2 years). Share options outstanding under the ESOS/SESO schemes at 31 December 2015 had an exercise price of 577p (2014: 577p) and a weighted average remaining contractual life of nil years (2014: nil years). Share options outstanding under the SAYE schemes at 31 December 2015 had exercise prices ranging from 656p to 2,158p (2014: 656p to 1,644p) and a weighted average remaining contractual life of 2.0 years (2014: 2.0 years). Share awards outstanding under the PSP schemes at 31 December 2015 had an exercise price of £nil (2014: £nil) and a weighted average remaining contractual life of 1.1 years (2014: 1.2 years).

Notes to the financial statements (continued)

26 Share-based payments (continued)

	PSP		LTIS		SAYE	
Company	**Number**	**Weighted average exercise price £**	**Number**	**Weighted average exercise price £**	**Number**	**Weighted average exercise price £**
Outstanding at 1 January 2015	**473,980**	**–**	**664,481**	**–**	**30,845**	**13.79**
Awarded/granted	**105,922**	**–**	**126,494**	**–**	**8,678**	**21.58**
Lapsed	**–**	**–**	**(7,788)**	**–**	**(878)**	**15.60**
Exercised	**(169,455)**	**–**	**(261,370)**	**–**	**(5,830)**	**10.58**
Outstanding at 31 December 2015	**410,447**	**–**	**521,817**	**–**	**32,815**	**16.56**
Exercisable at 31 December 2015	**–**	**–**	**–**	**–**	**–**	**–**

	PSP		LTIS		SAYE	
Company	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January 2014	505,134	–	1,050,358	–	25,508	9.90
Awarded/granted	132,316	–	175,366	–	15,290	16.44
Lapsed	–	–	(235,799)	–	(1,591)	8.88
Exercised	(163,470)	–	(325,444)	–	(8,362)	7.71
Outstanding at 31 December 2014	473,980	–	664,481	–	30,845	13.79
Exercisable at 31 December 2014	–	–	–	–	–	–

Share awards outstanding under the LTIS scheme at 31 December 2015 had an exercise price of £nil (2014: £nil) and a weighted average remaining contractual life of 1.0 years (2014: 1.1 years). Share options outstanding under the SAYE schemes at 31 December 2015 had exercise prices ranging from 868p to 2,158p (2014: 662p to 1,644p) and a weighted average remaining contractual life of 2.7 years (2014: 2.3 years). Share awards outstanding under the PSP schemes at 31 December 2015 had an exercise price of £nil (2014: £nil) and a weighted average remaining contractual life of 1.1 years (2014: 1.2 years). There were no share options outstanding under the ESOS/SESO schemes at 31 December 2015.

(b) Cash-settled schemes

During 2015 cash awards were granted under the PFEP to eligible employees that require the group and company to pay amounts linked to a combination of salary, financial performance and share price performance of Provident Financial plc. The charge to the income statement in 2015 was £1.2m for the group (2014: £nil) and £0.1m for the company (2014: £nil). The group has a liability of £1.2m as at 31 December 2015 (2014: £nil) and £0.1m for the company (2014: £nil).

27 Other reserves

Group	Profit retained by subsidiary £m	Capital redemption reserve £m	Hedging reserve £m	Treasury shares reserve £m	Share-based payment reserve £m	Available for sale reserve £m	Total other reserves £m
At 1 January 2014	0.8	3.6	(5.1)	(0.9)	18.8	–	17.2
Other comprehensive income:							
– fair value movements on cash flow hedges (note 18)	–	–	2.2	–	–	–	2.2
– tax on items taken directly to other comprehensive income (note 5)	–	–	(0.4)	–	–	–	(0.4)
Other comprehensive income for the year	–	–	1.8	–	–	–	1.8
Transactions with owners:							
– purchase of own shares	–	–	–	(0.1)	–	–	(0.1)
– transfer of own shares on vesting of share awards	–	–	–	0.2	–	–	0.2
– share-based payment charge (note 26)	–	–	–	–	8.7	–	8.7
– transfer of share-based payment reserve on vesting of share awards	–	–	–	–	(8.8)	–	(8.8)
At 31 December 2014	0.8	3.6	(3.3)	(0.8)	18.7	–	19.0
At 1 January 2015	**0.8**	**3.6**	**(3.3)**	**(0.8)**	**18.7**	**–**	**19.0**
Other comprehensive income:							
– fair value movements in available for sale investment (note 16)	**–**	**–**	**–**	**–**	**–**	**17.5**	**17.5**
– fair value movements on cash flow hedges (note 18)	**–**	**–**	**3.6**	**–**	**–**	**–**	**3.6**
– tax on items taken directly to other comprehensive income (note 5)	**–**	**–**	**(1.0)**	**–**	**–**	**(3.5)**	**(4.5)**
– impact of change in UK tax rate (note 5)	**–**	**–**	**0.2**	**–**	**–**	**(1.3)**	**(1.1)**
Other comprehensive income for the year	**–**	**–**	**2.8**	**–**	**–**	**12.7**	**15.5**
Transactions with owners:							
– purchase of own shares	**–**	**–**	**–**	**(0.3)**	**–**	**–**	**(0.3)**
– transfer of own shares on vesting of share awards	**–**	**–**	**–**	**0.1**	**–**	**–**	**0.1**
– share-based payment charge (note 26)	**–**	**–**	**–**	**–**	**10.5**	**–**	**10.5**
– transfer of share-based payment reserve on vesting of share awards	**–**	**–**	**–**	**–**	**(9.2)**	**–**	**(9.2)**
At 31 December 2015	**0.8**	**3.6**	**(0.5)**	**(1.0)**	**20.0**	**12.7**	**35.6**

The capital redemption reserve represents profits on the redemption of preference shares arising in prior years, together with the capitalisation of the nominal value of shares purchased and cancelled, net of the utilisation of this reserve to capitalise the nominal value of shares issued to satisfy scrip dividend elections.

The hedging reserve reflects the corresponding entry to the fair value of hedging derivatives held on the balance sheet as either assets or liabilities, net of deferred tax (see note 18).

The treasury shares reserve represents shares acquired by the company, through various trusts, both from the market and through a fresh issue to satisfy awards under the group's various share schemes (see note 25). The cost of the shares is treated as a deduction from equity. When the relevant awards vest, the cost of the shares provided to employees is transferred to retained earnings.

The share-based payment reserve reflects the corresponding credit entry to the cumulative share-based payment charges made through the income statement as there is no cash cost or reduction in assets from the charges. When options and awards vest, that element of the share-based payment reserve relating to those awards and options is transferred to retained earnings.

The available for sale reserve reflects the fair value movements in the available for sale investment, net of deferred tax (see note 16).

Notes to the financial statements (continued)

27 Other reserves (continued)

Company	Non-distributable reserve £m	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Treasury shares reserve £m	Share-based payment reserve £m	Total other reserves £m
At 1 January 2014	609.2	2.3	3.6	(5.3)	(0.9)	18.8	627.7
Other comprehensive income:							
– fair value movements on cash flow hedges (note 18)	–	–	–	2.3	–	–	2.3
– tax on items taken directly to other comprehensive income	–	–	–	(0.5)	–	–	(0.5)
Other comprehensive income for the year	–	–	–	1.8	–	–	1.8
Transactions with owners:							
– purchase of own shares	–	–	–	–	(0.1)	–	(0.1)
– transfer of own shares on vesting of share awards	–	–	–	–	0.2	–	0.2
– share-based payment charge (note 26)	–	–	–	–	–	4.6	4.6
– share-based payment movement in investment in subsidiaries (note 14)	–	–	–	–	–	(0.4)	(0.4)
– transfer of share-based payment reserve on vesting of share awards	–	–	–	–	–	(4.2)	(4.2)
At 31 December 2014	609.2	2.3	3.6	(3.5)	(0.8)	18.8	629.6
At 1 January 2015	**609.2**	**2.3**	**3.6**	**(3.5)**	**(0.8)**	**18.8**	**629.6**
Other comprehensive income:							
– fair value movements on cash flow hedges (note 18)	**–**	**–**	**–**	**3.9**	**–**	**–**	**3.9**
– tax on items taken directly to other comprehensive income	**–**	**–**	**–**	**(0.8)**	**–**	**–**	**(0.8)**
Other comprehensive income for the year	**–**	**–**	**–**	**3.1**	**–**	**–**	**3.1**
Transactions with owners:	**–**	**–**				**–**	
– purchase of own shares	**–**	**–**	**–**	**–**	**(0.3)**	**–**	**(0.3)**
– transfer of own shares on vesting of share awards	**–**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
– share-based payment charge (note 26)	**–**	**–**	**–**	**–**		**5.3**	**5.3**
– transfer of share-based payment reserve on vesting of share awards	**–**	**–**	**–**	**–**	**–**	**(4.0)**	**(4.0)**
At 31 December 2015	**609.2**	**2.3**	**3.6**	**(0.4)**	**(1.0)**	**20.1**	**633.8**

The non-distributable reserve was created as a result of an intra-group reorganisation to create a more efficient capital structure that more accurately reflects the group's management structure.

28 Commitments

Commitments under operating leases are as follows:

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Due within one year	**12.6**	13.8	**3.0**	2.5
Due between one and five years	**28.9**	30.7	**472.3**	397.0
Due in more than five years	**54.0**	59.7	**17.1**	20.3
Total	**95.5**	104.2	**492.4**	419.8

Operating lease commitments principally relate to the future rental payments until the first break on: (i) the CCD head office property in Bradford; (ii) the 214 CCD branches nationwide; and (iii) the Vanquis Bank head office in London and contact centre in Chatham.

The company provides its subsidiary, Vanquis Bank, with a committed intercompany loan facility which is used to fund growth in the business alongside retail deposits. The facility is renewed annually. At 31 December 2015, the facility of £460m (2014: £385m), had a maturity date of 30 June 2018 (2014: 31 December 2017).

Other group commitments are as follows:

	Group	
	2015 £m	2014 £m
Unutilised credit card facilities at 31 December	**619.0**	505.2

The company has £nil unutilised credit card facilities at 31 December 2015 (2014: £nil).

29 Related party transactions

The company recharges the pension scheme referred to in note 20 with a proportion of the costs of administration and professional fees incurred by the company. The total amount recharged during the year was £0.4m (2014: £0.6m) and the amount due from the pension scheme at 31 December 2015 was £0.2m (2014: £0.2m).

Details of the transactions between the company and its subsidiary undertakings, which comprise management recharges and interest charges on intra-group balances, along with any balances outstanding at 31 December are set out below:

	2015			2014		
Company	**Management recharge £m**	**Interest (credit)/charge £m**	**Outstanding balance £m**	Management recharge £m	Interest (credit)/charge £m	Outstanding balance £m
Vanquis Bank	**4.1**	**(20.8)**	**275.1**	3.2	(23.5)	339.8
CCD	**7.4**	**(48.8)**	**951.9**	7.3	(55.5)	969.1
Moneybarn	**0.7**	**(14.2)**	**220.2**	–	(4.4)	161.5
Other central companies	–	–	**109.9**	–	0.5	109.5
Total	**12.2**	**(83.8)**	**1,557.1**	10.5	(82.9)	1,579.9

The outstanding balance represents the gross intercompany balance receivable by the company, against which a provision of £123.1m (2014: £122.5m) is held.

During 2015, the company received a dividend of £55.0m from Provident Financial Management Services Limited, the holding company of the companies forming CCD (2014: £70.0m) and dividends of £98.3m from Vanquis Bank Limited (2014: £42.5m).

There are no transactions with directors other than those disclosed in the directors' remuneration report.

Notes to the financial statements (continued)

30 Contingent liabilities

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty exists regarding the outcome of future events. The only contingent liabilities within the group relate to bank guarantees provided from one subsidiary to another and a charge in respect of the Unfunded Unapproved Retirement Benefits Scheme (UURBS).

The company has a contingent liability for guarantees given in respect of borrowing facilities of certain subsidiaries to a maximum of £223.4m (2014: £114.1m). At 31 December 2015, the fixed and floating rate borrowings in respect of these guarantees amounted to £1.1m (2014: £2.6m). No loss is expected to arise. These guarantees are defined as financial guarantees under IAS 39 and their fair value at 31 December 2015 was not deemed to be material (2014: not material).

A floating charge is held over CCD's receivables of up to £15m in respect of the unfunded pension benefit promises made to executive directors and certain members of senior management affected by the reduced annual allowance to pension schemes introduced in 2011 under the UURBS. No loss is expected to arise.

31 Reconciliation of profit after taxation to cash generated from/(used in) operations

		Group		Company	
	Note	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Profit after taxation		**218.2**	175.6	**170.7**	125.1
Adjusted for:					
– tax charge	5	**55.4**	49.0	**2.1**	1.7
– finance costs	3	**80.0**	77.5	**60.4**	61.4
– finance income		**–**	–	**(83.8)**	(83.3)
– dividends received	29	**–**	–	**(153.3)**	(112.5)
– share-based payment charge	26	**10.5**	8.7	**5.3**	4.6
– retirement benefit charge/(credit) prior to exceptional pension credit	20	**2.8**	4.4	**(8.8)**	(8.0)
– exceptional curtailment credit	20	**(2.6)**	(0.6)	**(2.6)**	(0.6)
– amortisation of intangible assets	12	**14.9**	7.2	**–**	–
– depreciation of property, plant and equipment	13	**7.7**	6.6	**1.4**	1.1
– loss on disposal of property, plant and equipment	13	**–**	0.2	**–**	–
– impairment provision in investment in subsidiaries	14	**–**	–	**–**	0.1
Changes in operating assets and liabilities:					
– amounts receivable from customers		**(167.5)**	(111.4)	**–**	–
– trade and other receivables		**(8.1)**	(4.4)	**(26.5)**	(11.7)
– trade and other payables		**2.9**	21.8	**(12.3)**	(11.1)
– contributions into the retirement benefit scheme	20	**(12.2)**	(13.1)	**(0.6)**	(0.7)
Cash generated from/(used in) operations		**202.0**	221.5	**(48.0)**	(33.9)

32 Details of subsidiary undertakings

The subsidiary undertakings of the group at 31 December 2015 are shown below. The company is the parent or ultimate parent of all subsidiaries and they are all 100% owned by the group. All companies are incorporated within the UK with the exception of Erringham Holdings Limited which is incorporated in Jersey.

Company
Vanquis Bank Limited
Provident Financial Management Services Limited
Provident Personal Credit Limited
Greenwood Personal Credit Limited
Moneybarn No.1 Limited
Duncton Group Limited
Moneybarn Group Limited
N&N Simple Financial Solution Limited
Cheque Exchange Limited
Provident Investments plc
Provident Financial Investments Limited
Direct Auto Finance Insurance Services Limited
Direct Auto Finance Limited
Direct Auto Financial Services Limited
First Tower LP(1) Limited
First Tower LP(2) Limited
First Tower LP(3) Limited
First Tower LP(4) Limited
First Tower LP(5) Limited
First Tower LP(6) Limited
First Tower LP(7) Limited
First Tower LP(8) Limited
First Tower LP(9) Limited
First Tower LP(10) Limited
First Tower LP(11) Limited
First Tower LP(12) Limited
Moneybarn Limited
Moneybarn No. 4 Limited
Moneybarn Vehicle Finance Limited
Provfin Limited
Provident Limited
Provident Print Limited
Provident Yes Car Credit Limited
Yes Car Credit (Holdings) Limited
Yes Car Credit Limited
Accepted Car Credit Limited
Aquis Bank Limited

Company
Arden Insurance Services
Bridgesun (1) Limited
Colonnade Insurance Services Limited
Ellaf Limited
Envoyhead Limited
Erringham Holdings Limited
Express Car Credit Limited
HT Greenwood Limited
I for Insurance Services Limited
Lawson Fisher Limited
Money Transfers International Limited
Motorplus Insurance Services Limited
Peoples Motor Finance Limited
Policyline Limited
Provfin Investments Limited
Provident balance Limited
Provident Car Credit Limited
Provident Car Finance Limited
Provident Check Traders Limited
Provident Family Finance Limited
Provident Finance Limited
Provident Financial Group Limited
Provident Financial Trust Limited
Provident Financial Trustees (Performance Share Plan) Limited
Provident Financial Trustees Limited
Provident Home Shopping Limited
Provident Motor Finance Limited
Provident Personal Credit (Ireland) Limited
Provident Personal Credit (London) Limited
Provident Personal Credit (Midlands) Limited
Provident Personal Credit (North) Limited
Provident Personal Credit (South) Limited
Provident Yes Finance Limited
The Provident Clothing and Supply Company Limited
Yes Car Finance Limited
Yes Express Car Credit Limited
Yes Finance Limited

Independent auditor's report

Opinion on financial statements of Provident Financial plc	**In our opinion:** > **the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;** > **the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;** > **the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and** > **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.** The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated and parent company statement of cash flows, the consolidated and parent company statement of changes in shareholders' equity, the statement of accounting policies, the financial and capital risk management section and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.
Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the company	As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting set out on pages 111 and 112 to the financial statements and the directors' statement on the longer-term viability of the company contained within the strategic report. We have nothing material to add or draw attention to in relation to: > the directors' confirmation on page 59 that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity; > the disclosures on pages 62–65 that describe those risks and explain how they are being managed or mitigated; > the directors' statement within the directors' report on pages 111 and 112 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and > the directors' explanation within the director's report on page 59 as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.
Independence	We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the company and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.
Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk	How the scope of our audit responded to the risk
Provision for impairment losses against loans and receivables (Consumer Credit Division and Vanquis Bank) The provision for impairment losses is calculated by modelling portfolios of receivables within the group. The assessment of the group's calculation of the £317.7m (2014: £385.0m) of impairment provisions is complex and requires management to make significant judgements regarding the level and timing of expected future cash flows from loans that have reached the impairment trigger. Further detail in respect of these assumptions is set out in the key assumptions and estimates section of the accounting policies on page 144 and note 15 of the financial statements. Within CCD, management uses historical collection curves to determine expected future cash flows which are formally assessed bi-annually by management with reference to current collections experience and future expectations in order to determine their ongoing accuracy. Within Vanquis Bank, the impairment provision methodology reflects timely portfolio data and takes into account current economic conditions (eg unemployment levels), product mix and recent customer behaviour. Whilst there are a number of different elements to the provision, the key judgement areas are the determination of the impairment trigger and the estimate of the expected future cash flows which are generated using data sourcing techniques and SAS scripts (computer programming code) to extract data from the underlying lending system.	We tested the operating effectiveness of key controls across CCD relating to the identification and recording of impairment provisions and the arithmetical accuracy of the models used to calculate impairment. This included using our IT specialists to test the data flows from source systems to spreadsheet-based models to test their completeness and accuracy. Within Vanquis Bank, particular focus was given to the adequacy of change controls over SAS scripts used to generate the impairment models. We challenged the key assumptions in the CCD model including the impairment trigger, the projected future cash flows based on the actual collections and risk grade stability.
Revenue recognition (Consumer Credit Division and Vanquis Bank) Management maintains a number of Effective Interest Rate ('EIR') models to determine revenue recognition in accordance with the requirements of IAS 39. Interest revenue recognised in the year amounted to £970.3m (2014: £942.0m). The EIR method spreads directly attributable revenues and costs over the behavioural life of the loan. These models are complex and heavily reliant on the quality of the underlying data flowing into the models. We have identified revenue recognition as a significant risk as the amount of revenue recognised in any period is dependent on a number of significant assumptions applied to the models. These include the expected behavioural life of each loan and the timing of expected future cash flows. These could have a material effect on the financial statements. Further detail in respect of these assumptions are set out in the critical judgements and uncertainties section of the accounting policies note on page 144 and note 2 of the financial statements.	We tested the key controls relating to the recording of revenue which focused on the flow of data from source systems into the EIR models. This included an assessment by our IT specialists of automated controls and SAS scripts to determine whether the data within the EIR models were complete and accurate. We also tested the arithmetical accuracy of the models to assess whether they were working as intended and in compliance with the requirements of IAS 39. We challenged the assumptions used in the recognition of revenue, including the impact of early redemptions by assessing whether the revenue recognition policies adopted were in compliance with IAS39. We considered the assumptions applied to determine the future expected cash flows by reference to the group's historical experience and macroeconomic factors.

Independent auditor's report (continued)

Defined benefit pension scheme valuation	
Determining the key assumptions used to calculate the present value of the £62.3m (2014: £56.0m) retirement benefit obligation requires significant management judgement in relation to inflation rates, discount rates and mortality rates. We note that the selection of the discount rate has a large impact on the overall valuation as set out in the sensitivity analysis in note 20.	We used our actuarial specialists to assist us in evaluating the appropriateness of the principal actuarial assumptions used in the calculation of the retirement benefit obligation, as set out in note 20. This involved benchmarking management's assumptions against those used by a range of organisations as at 31 December 2015 and considering the consistency of those judgements compared to prior year.

Last year our report included two other risks which are not included in this year's report:

- **Moneybarn fair value adjustments (the fair value exercise has been concluded with no significant adjustments in the current year); and**
- **Tax provisions (there have been no significant new tax provisions).**

The description of risks above should be read in conjunction with the significant issues considered by the audit committee discussed on pages 102 and 103.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality	We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. We determined materiality for the group to be £16.4m (2014: £16.8m), which is 6% (2014: 7.5%), of pre-tax profit. The decrease in the percentage used is to align more closely with comparable companies in the FTSE 100. We agreed with the audit committee that we would report to the committee all audit differences in excess of £340,000 (2014: £336,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements. Our audit work on the principal trading subsidiaries comprised statutory audits which were executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from £450,000 to £11.0m. (2014: £300,000 to £15.0m).
An overview of the scope of our audit	Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, and, as in the prior year, our group audit scope focused on all of the principal trading subsidiaries within the group's three reportable segments which account for 100% of the group's profit before tax. Consumer Credit Division and Moneybarn have the same engagement partner as the group audit and Vanquis Bank is audited by a separate component team, under the supervision of the group team who have maintained regular communication throughout the audit. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

Independent auditor's report (continued)

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records	Under the Companies Act 2006 we are required to report to you if, in our opinion: > we have not received all the information and explanations we require for our audit; or > 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 parent company financial statements are not in agreement with the accounting records and returns. We have nothing to report in respect of these matters.
Directors' remuneration	Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.
Corporate Governance Statement	Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.
Our duty to read other information in the annual report	Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is: > materially inconsistent with the information in the audited financial statements; or > apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or > otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Matters on which we are required to report by exception (continued)

Respective responsibilities of directors and auditor	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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews. 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.
Scope of the audit of the financial statements	An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Peter Birch FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
23 February 2016

SHAREHOLDER INFORMATION

Shareholder information

Information for shareholders

Financial calendar – 2015 final dividend

Dividend announced	23 February 2016
Annual general meeting	5 May 2016
Ex-dividend date for ordinary shares	19 May 2016
Record date for the dividend	20 May 2016
Payment date for the dividend	24 June 2016

Share price

The company's shares are listed on the London Stock Exchange under share code 'PFG.L'. The share price is quoted daily in a number of national newspapers and is available on our website at **www.providentfinancial.com**

Individual Savings Account (ISA)

Shareholders may take out an ISA which includes shares in the company with a provider of their choice. However, the company has made arrangements for its shareholders and employees to use Redmayne-Bentley's ISA and general share dealing services. Shareholders who are eligible and who wish to discuss associated fees and charges should contact:

Phil Armitage
Redmayne-Bentley LLP
9 Bond Court
Leeds
LS1 2JZ

Telephone: 0113 200 6433

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Tax on dividends

The following information is intended to provide general guidance to individuals who are tax resident in the UK. It does not constitute professional advice. Shareholders who are in any doubt as to their personal tax position should seek their own professional advice, as should shareholders who are not resident in the UK.

For UK resident individuals, the tax treatment of dividends depends on whether the dividends are received before or after 5 April 2016.

Dividends received on or before 5 April 2016

A UK tax resident individual shareholder who receives a dividend prior to 5 April 2016 will be subject to tax on the dividend as follows:

> The cash dividend you receive (the amount paid into your bank account) is grossed up for a notional 10% tax credit so that you are taxed on a gross dividend of 10/9ths of the cash dividend you receive.

> The gross dividend is then taxed as follows:
  – 10% for basic rate taxpayers
  – 32.5% for higher rate taxpayers
  – 37.5% for additional rate taxpayers

> You can then deduct the notional 10% tax credit.

> The overall result, after deducting the notional tax credit, is that you will have suffered an effective rate of tax on the cash dividend you receive of:
  – 0% for basic rate taxpayers
  – 25% for higher rate taxpayers
  – 30.56% for additional rate taxpayers

Dividends received on or after 6 April 2016

For dividends received after 6 April 2016, the notional tax credit is abolished.

Instead, a UK tax resident individual shareholder will be taxed on the total cash dividends you receive (the amount paid into your bank account) above the new £5,000 annual tax free dividend allowance at the following rates:

> 7.5% for basic rate taxpayers

> 32.5% for higher rate taxpayers

> 38.1% for additional rate taxpayers

The dividend allowance means that you can receive up to £5,000 of dividends tax free no matter what other non-dividend income you have in the tax year.

Registrars

The company's registrar is:

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Telephone: 0871 664 0300
(from within the UK)

Calls cost 12p per minute plus your phone company's access charge. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9.00am-5.30pm, Monday to Friday excluding public holidays in England and Wales.

Telephone: +44 (0)20 8639 3399
(from outside the UK)

Lines are open 8.30am–5.30pm
Monday to Friday.

Capita share portal

Capita Asset Services offers a share portal service which enables registered shareholders to manage their Provident Financial shareholdings quickly and easily online. Once registered for this service, you will have access to your personal shareholding and a range of services including: setting up or amending dividend bank mandates, proxy voting and amending personal details. For further information visit www.capitashareportal.com

Capita Dividend Reinvestment Plan

Capita Asset Services offers a Dividend Reinvestment Plan whereby shareholders can acquire further shares in the company by using their cash dividends to buy additional shares. For further information contact Capita Asset Services:

Telephone: 0871 664 0381
(from within the UK)

Calls cost 10p a minute plus network extras.

Telephone: +44 (0)20 8639 3402
(from outside the UK)

Lines are open 8.30am–5.30pm
Monday to Friday.

Special requirements

A black-and-white large text version of this document (without pictures) is available on request from the Company Secretary at the address overleaf. A PDF version of the full annual report including financial statements is available on our website.

Shareholder information

Provident Financial plc

Company details

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Fax:	+44 (0)1274 730 606
Website:	**www.providentfinancial.com**

Company number

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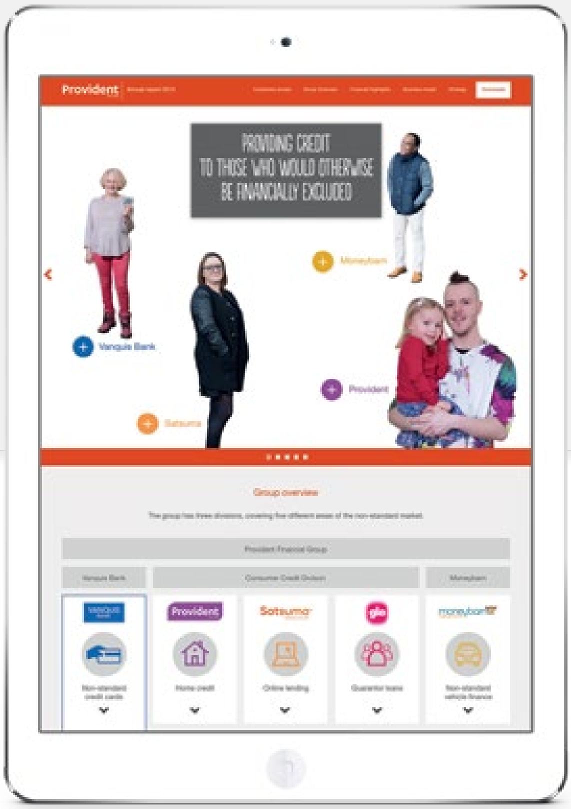

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