Provident Financial plc
Results for the year to 31 December 2007

H I G H L I G H T S

Provident Financial plc ("Provident Financial") is the market-leading provider of home credit in the UK and Ireland, with a successful, developing credit card business. It sold its insurance business and demerged its international business during 2007, both of which have been classified as discontinued operations. Its primary continuing operations consist of the Consumer Credit Division, comprising home credit and Real Personal Finance, and Vanquis Bank.

Key financial results

	2007	2006	Change
Consumer Credit Division & Vanquis Bank:			
Customer numbers	1,966k	1,818k	8.1%
Receivables	£892.1m	£793.1m	12.5%
Profit before tax from continuing operations	£115.2m	£104.1m	10.7%
Final dividend per share	38.10p		
Total dividend per share (1)	63.50p		

(1) after adjusting for the one for two consolidation of Provident Financial shares and taking into account the 4.75p per share dividend stated at the time of the demerger to be paid by International Personal Finance plc in respect of 2007, the aggregate dividend per share for 2007 represents the same 36.50p per share paid by Provident Financial in 2006.

Highlights

Consumer Credit Division

- Strengthening rate of growth through the second half of 2007 with year end home credit customer numbers up 5.3% to a record 1.65 million
- Reduction in impairment charge, due to strong credit management
- Real Personal Finance market test now in 33 locations and progressing well
- Profit growth restored, with underlying profit before tax up 1.2%* to £123.5m

Vanquis Bank

- Strong growth with customer numbers up 25.9% to 316,000 and average receivables up 51.7% to £117.3m
- Further significant improvement in credit quality
- Profitable from June, with a profit of £3.3m in the second half of 2007
- Achieved target of trading at around break even for the year with a full year loss of only £0.9m compared to a loss of £18.3m in 2006

Group

- Profit before tax from continuing operations of £115.2m, representing profit growth of 16.8%*
- Strong funding and liquidity positions to support continued high quality growth and strategic development

* Stated after adjusting for the one-off £5.5m benefit from changes to pension scheme members' commutation rights in 2006 relating to continuing operations

Peter Crook, Chief Executive of Provident Financial, commented:
"I am very pleased with the group's full year performance. During the year we have invested in further enhancements to marketing, credit management and the talent base, which are now driving high quality growth in both customer numbers and profit.

The strength of the group's funding and liquidity positions underpin the group's medium-term organic growth plans, as it pursues its strategy of addressing the broader UK non-standard lending market of some 10 million consumers.

Current market conditions are favourable for us, as mainstream lenders continue to tighten their lending criteria.

The group has made a strong start to 2008."

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

Chairman's statement

2007 has been a year of significant change at Provident Financial, with the sale of the insurance business in June followed by the demerger of the international business as a separately listed company in July.

Provident Financial's strategy is now clearly focussed on addressing the ten million people in the UK who make up the non-standard credit market. With almost two million satisfied customers served through a network of over 300 branches, modern call centres and internet sites, the group already has the largest non-standard customer base in the UK from which to build. The non-standard population is growing, as mainstream lenders retrench to the prime markets in the face of mounting impairment and, more recently, pressures on liquidity. Consequently, the non-standard market is likely to be the domain of specialists such as Provident Financial.

Home credit has produced excellent results in 2007. After two years of investment in new sales channels and credit management, the business is now delivering consistently high quality growth. Customer numbers finished the year up 5.3% at a record 1.65 million and impairment was down, a combination that has restored underlying profit growth and produced a profit before tax of £123.5m.

Vanquis Bank, the group's fast-growing credit card operation, grew average customer receivables by 51.7% in 2007 and continued to experience an improving impairment trend. The business moved into profit in June, and produced a profit of £3.3m in the second half, resulting in a loss of just £0.9m for the year in line with the guidance set at the start of 2007. This confirms its status as an important participant in the UK non-standard credit card market and as an important contributor to the group's future profits. In the medium-term, Vanquis Bank is expected to develop a portfolio of 500,000 customers and £300m of receivables, generating a post-tax return on equity of around 30%.

Real Personal Finance is an unsecured direct-repayment loan product, underwritten face-to-face in the customer's home and collected by monthly direct debit, and is a natural extension of home credit. This offer is well suited to the significant number of satisfied customers who migrate from home credit each year because their circumstances have improved, as well as the broader non-standard consumer market. The pilot is progressing well and a decision on the pace of national roll-out will be made later in 2008.

Customers addressed by the group's businesses continue to experience pressures on their disposable incomes from rising food, fuel and utility bills and, therefore, tight credit management remains a main priority for 2008. At present, the group's customer base shows no evidence of distress from unemployment. Even in the event of a more severe downturn, we believe that the group's businesses would prove resilient. The short-term, low value loans made by the home credit business and its national network of 11,600 agents, who make some 80 million visits to customers' homes during the course of a year, mean that Provident Financial is uniquely placed to respond faster than other lenders to signs of strain on the way into a downturn and in resuming profitable lending during a recovery. Similarly, from the point of issue through to collection, Vanquis Bank maintains a significantly more intensive call centre-based relationship with its customers than other card issuers.

Alongside Peter Crook and Andrew Fisher, Chris Gillespie joined the executive management team during the year to head up the Consumer Credit Division and Michael Lenora joined to head up Vanquis Bank. Chris and Michael each bring over 20 years of experience in the industry and have made important new appointments to strengthen their divisional management teams, positioning both businesses well for future growth.

The board is confident that the robust operating platform established by the management team, together with tight credit disciplines and the group's strong funding and liquidity positions, will see the delivery of further high quality growth in 2008.

John van Kuffeler
Chairman
4 March 2008

Financial results

Group

Profit before tax for the year from continuing operations increased by £11.1m to £115.2m (2006: £104.1m). After taking account of the impact of a one-off pension credit of £5.5m in 2006, this represents an increase in underlying profit before tax of 16.8%.

The sale of the insurance business resulted in a net pre-tax profit of £69.3m and the group incurred pre-tax exceptional costs of £32.2m during 2007 (2006: £11.1m) relating to the demerger of the international business. Profit after tax from discontinued operations totalled £57.7m (2006: £51.6m).

The group's profit for the year attributable to equity shareholders was £138.4m (2006: £124.9m).

Consumer Credit Division

The rate of home credit customer number growth accelerated strongly during the second half of 2007, with year end customers at a record level of 1.65 million, some 5.3% higher than at the end of 2006. Of the 525,000 new customers booked during the year, approximately 185,000 came from non-agent channels, illustrating the success of our strategy of broadening our range of recruitment channels.

Revenue grew by a slightly slower rate, up 2.4% to £590.5m (2006: £576.7m) as a greater proportion of new customers were added in the second half of the year. However, average customer receivables increased strongly by 6.2% to £638.8m (2006: £601.3m).

Emphasis has been placed on maintaining the overall quality of the receivables book. This has been achieved by both the use of revised credit scoring systems for all new customer applications, which has resulted in approximately one third of new customer applications being declined, and in tight management of arrears. This emphasis on quality growth led to the overall impairment charge falling by 2.0%, despite a growing receivables book. Impairment expressed as a percentage of revenue in 2007 fell markedly from 31.0% to 29.7%. In an environment where there is continued pressure on our customers' disposable incomes, particularly from rising food, fuel and utility bills, this improvement demonstrates clearly the effectiveness of our enhanced credit management.

Underlying operating costs, after excluding the one-off pension credit of £5.5m in 2006, increased by 4.6% to £256.7m (2006: £245.5m), which included a further increase in the level of marketing expenditure incurred to support future growth.

The market test of a direct repayment loan product, trading under the brand Real Personal Finance, has progressed well during 2007. The test was expanded from 2 to 20 locations in November 2007 and is currently operating in 33 locations. This business operates a separate sales force, but is otherwise fully integrated into the existing home credit branch infrastructure. Accordingly, it is not expected to incur a material level of start-up costs. A decision on the pace and scale of the national roll-out of Real Personal Finance will be taken during the third quarter of 2008.

Overall, underlying profit before tax from the Consumer Credit Division grew by 1.2% to £123.5m (2006: £122.0m), reversing the trend of declining profitability seen in recent years.

Vanquis Bank

Vanquis Bank ended the year with 316,000 customers (2006: 251,000), an increase of 25.9% in the year. Response rates from direct marketing campaigns and the level of internet applications increased during the second half of the year and the business has benefited from a number of mainstream credit card providers pulling back from the non-standard market.

Total revenue grew by 85.7% to £63.5m (2006: £34.2m) due to a combination of the increase in customer numbers, the re-pricing of assets undertaken at the end of 2006, and the impact of our "low and grow" strategy upon average customer balances, which grew by 11.4% to £490 (2006: £440). Average customer receivables grew by 51.7% to £117.3m (2006: £77.3m).

The group has continued the development of underwriting criteria and tougher scoring of both new customer applications and increases to existing customers' credit lines, with over 70% of new customer applications being declined. In addition, there has been a heavy focus on arrears management. The overall result is a further improvement in the quality of the receivables book, with impairment as a percentage of revenue falling sharply from 56.7% to 39.7%, which is now close to the planned ongoing rate of impairment.

Total costs increased by just 10.7%, significantly lower than the growth in net revenue, as the business benefited from the further increase in scale. To accommodate future growth, Vanquis Bank will significantly expand its call centre facilities and will also upgrade its IT capability, which will result in the cost base increasing at a faster rate in 2008.

Vanquis Bank moved into profitability in June and made a profit of £3.3m in the second half of 2007. For the year as a whole, it reported a small operating loss before tax of £0.9m (2006: £18.3m loss). The business is now well positioned to move forward strongly in 2008 towards its medium-term targets of achieving a portfolio of around 500,000 customers and net receivables of £300m, earning a post-tax return on equity of 30%.

Yes Car Credit

The collect-out of the Yes Car Credit receivables book continues to progress in line with expectations with total collections in the year amounting to £83.8m. The receivables book at the end of 2007 was £33.3m compared with £108.6m at the end of 2006. The business incurred a loss before tax in the year of £2.9m (2006: £1.5m loss). A similar loss is expected in 2008 and 2009 and full collect-out of the receivables book and the closure of the collections operation is expected towards the end of 2009.

Central costs

Central costs for the full year amounted to £6.5m, up from £6.0m in 2006. However, central costs in the second half of 2007 were £2.0m, down by £2.5m on the first half, as a result of the streamlining which followed the demerger. Central interest receivable of £2.0m (2006: £2.4m) was slightly reduced on 2006 and primarily represents the interest receivable on the group's surplus capital of approximately £75m.

Discontinued operations

Following the sale of the insurance business on 15 June 2007 and the demerger of the international business on 16 July 2007, these two businesses have been classified as discontinued operations on the face of the group's consolidated income statement. Prior year comparatives have been restated accordingly. There is no impact on the prior year financial statements other than a change in the presentation of the results and cash flows of these businesses to discontinued operations.

Taxation

The effective tax rate for the year from continuing operations was 29.9% (2006: 29.6%), close to the UK corporation tax rate. The future tax rate is expected to be broadly in line with the UK corporation tax rate which reduces to 28% in April 2008.

Dividends

At the time of the demerger, the directors of both Provident Financial and International Personal Finance plc stated their intention, in the absence of unforeseen circumstances, to pay an aggregate level of dividends per share in respect of 2007 that is equivalent to the amount of 36.50 pence paid in respect of 2006. The board of Provident Financial is recommending a final dividend of 38.10 pence per share, making a total dividend for the year of 63.50 pence which is equivalent to 31.75 pence after taking account of the one for two share consolidation undertaken in July. At the time of the demerger it was expected that International Personal Finance plc would recommend a total dividend for 2007 of 4.75 pence per share.

Balance sheet and capital

Amounts receivable from customers of our continuing operations increased by £23.7m to £925.4m (2006: £901.7m) reflecting strong growth from both the Consumer Credit Division and Vanquis Bank, offset by continued good progress in the collect-out of the outstanding Yes Car Credit book.

The group's funding position remains strong. Borrowings ended 2007 at £633.7m, with gearing expressed as the ratio of borrowings to shareholders' equity, after excluding the net pension asset, at 2.7 times, compared with our relevant borrowing covenant of 6.0 times. This results in headroom available on the group's current committed borrowing facilities of some £435m, which is expected to provide ample liquidity to support the group's organic growth plans until March 2010, when the £270.7m 3-year element of the bank syndication, completed in March 2007 ahead of the demerger, matures.

Year end shareholders' equity stood at £295.9m (2006: £354.0m) representing 21.8% of customer receivables (2006: 17.0%). Relative to our target ratio of 15%, and after taking into account operational seasonality and the timing of dividend payments, this implies surplus capital of some £75m, which has been retained by the group in the near term to fund growth opportunities and provide a sensible degree of strategic flexibility.

The group's year end capital adequacy ratio was 480% of the minimum Pillar I requirement and was well in excess of the interim capital guidance set by the Financial Services Authority under the new Basel II regime.

Consolidated income statement for the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Continuing operations			
Revenue	2	669.2	654.6
Finance costs		(42.1)	(41.2)
Operating costs		(342.4)	(356.0)
Administrative expenses		(169.5)	(153.3)
Total costs		(554.0)	(550.5)
Profit before taxation	2	115.2	104.1
Tax charge	3	(34.5)	(30.8)
Profit after taxation for the year from continuing operations		80.7	73.3
Discontinued operations			
Profit after taxation for the year from discontinued operations	4	57.7	51.6
Profit for the year attributable to equity shareholders	9	138.4	124.9

	Notes	2007	2006
Earnings per share from continuing operations			
Basic	5	40.86p	28.76p
Diluted	5	40.49p	28.66p
Earnings per share attributable to equity shareholders			
Basic	5	70.08p	49.00p
Diluted	5	69.44p	48.83p
Dividends per share			
Proposed final dividend	6	38.10p	22.02p
Total dividend in respect of the year	6	63.50p	36.50p
Paid in the year*	6	47.42p	35.85p

* The total cost of dividends paid in the year was £89.4m (2006: £91.4m)

Consolidated statement of recognised income and expense for the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Profit for the year attributable to equity shareholders	9	138.4	124.9
Exchange losses on foreign currency translations		-	(0.2)
Cash flow hedges:			
- net fair value gains		1.7	0.2
- recycled and reported in profit for the year		2.8	-
Actuarial gains/(losses) on retirement benefit asset	8	46.3	(0.3)
Tax charge on items taken directly to equity	3	(15.2)	(0.1)
Impact of change in UK tax rate	3	0.8	-
Net income/(expense) recognised directly in equity	9	36.4	(0.4)
Total recognised income for the year attributable to equity shareholders	9	174.8	124.5

Consolidated balance sheet as at 31 December 2007

	Notes	2007 £m	2006 £m
ASSETS			
Non-current assets			
Goodwill		3.1	3.1
Other intangible assets		12.6	30.0
Property, plant and equipment		28.7	58.7
Financial assets:			
- amounts receivable from customers	7	71.8	129.5
- derivative financial instruments		-	2.4
Retirement benefit asset	8	61.5	8.9
		177.7	232.6
Current assets			
Financial assets:			
- amounts receivable from customers	7	853.6	1,103.2
- derivative financial instruments		0.7	0.3
- cash and cash equivalents		23.4	438.8
Trade and other receivables		19.9	30.6
Insurance assets		-	56.2
Current tax assets		-	8.1
Deferred tax assets		11.4	42.9
		909.0	1,680.1
Total assets		1,086.7	1,912.7
LIABILITIES			
Current liabilities			
Financial liabilities:			
- bank and other borrowings		(41.0)	(87.4)
- derivative financial instruments		(12.5)	(2.1)
Trade and other payables		(70.1)	(114.1)
Insurance accruals and deferred income		-	(328.3)
Current tax liabilities		(29.9)	(37.3)
Provisions		(0.8)	(1.8)
		(154.3)	(571.0)
Non-current liabilities			
Financial liabilities:			
- bank and other borrowings		(592.7)	(933.6)
- derivative financial instruments		(24.3)	(42.0)
Provisions		(2.0)	-
Deferred tax liabilities		(17.5)	(12.1)
		(636.5)	(987.7)
Total liabilities		(790.8)	(1,558.7)
NET ASSETS	2	295.9	354.0
SHAREHOLDERS' EQUITY			
Called-up share capital	9	27.2	26.5
Share premium account	9	132.7	110.8
Other reserves	9	0.1	5.7
Retained earnings	9	135.9	211.0
TOTAL EQUITY	9	295.9	354.0

Consolidated cash flow statement for the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Cash flows from continuing operations			
Cash generated from operations		141.9	57.6
Finance costs paid		(42.3)	(38.2)
Tax (paid)/received		(15.2)	2.3
Net cash generated from continuing operating activities		84.4	21.7
Net cash (used in)/generated from discontinued operating activities	4	(49.1)	22.0
Net cash generated from operating activities		35.3	43.7
Cash flows from investing activities in continuing operations			
Purchases of property, plant and equipment		(10.1)	(15.4)
Proceeds from sale of property, plant and equipment		1.7	1.1
Purchases of intangible assets		(3.0)	(5.9)
Net cash used in investing activities in continuing operations		(11.4)	(20.2)
Net cash used in investing activities in discontinued operations	4	(242.0)	(14.5)
Net cash used in investing activities		(253.4)	(34.7)
Cash flows from financing activities in continuing operations			
Proceeds from borrowings		332.0	172.0
Repayment of borrowings		(332.7)	(112.6)
Dividends paid to company shareholders	6	(89.4)	(91.4)
Proceeds from issue of share capital		22.6	3.1
Purchases of own shares	9	(6.5)	-
Proceeds from vesting of shares	9	2.1	2.3
Net cash used in financing activities in continuing operations		(71.9)	(26.6)
Net cash (used in)/generated from financing activities in discontinued operations	4	(126.9)	4.6
Net cash used in financing activities		(198.8)	(22.0)
Net increase/(decrease) in cash and cash equivalents in continuing operations		1.1	(25.1)
Net (decrease)/increase in cash and cash equivalents in discontinued operations	4	(418.0)	12.1
Net decrease in cash and cash equivalents		(416.9)	(13.0)
Cash and cash equivalents at beginning of year		431.6	444.4
Exchange (losses)/gains on cash and cash equivalents – discontinued operations		(0.1)	0.2
Cash and cash equivalents at end of year		14.6	431.6
Cash and cash equivalents at end of year comprise:			
Cash at bank and in hand		23.4	61.9
Short-term deposits		-	376.9
Cash and cash equivalents		23.4	438.8
Overdrafts (held in bank and other borrowings)		(8.8)	(7.2)
Total cash and cash equivalents		14.6	431.6

Reconciliation of profit after taxation from continuing operations to cash generated from continuing operations

	2007 £m	2006 £m
Profit after taxation from continuing operations	80.7	73.3
Adjusted for:		
Tax charge	34.5	30.8
Finance costs	42.1	41.2
Share-based payment charge/(credit)	1.6	(1.6)
Retirement benefit charge/(credit) (note 8)	0.4	(4.6)
Amortisation of intangible assets	0.5	2.2
Depreciation of property, plant and equipment	5.6	4.9
Profit on disposal of property, plant and equipment	(0.1)	-
Changes in operating assets and liabilities:		
Inventories	-	7.4
Amounts receivable from customers	(23.7)	43.5
Trade and other receivables	(2.1)	2.8
Trade and other payables	4.5	(28.0)
Retirement benefit asset	(3.6)	(91.5)
Derivative financial instruments	0.5	0.1
Provisions	1.0	(22.9)
Cash generated from continuing operations	141.9	57.6

Notes to the preliminary announcement

1. Basis of preparation

The preliminary announcement has been prepared in accordance with the Listing Rules of the Financial Services Authority and is based on the 2007 financial statements which have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The preliminary announcement does not constitute the statutory financial statements of the group within the meaning of Section 240 of the Companies Act 1985. The statutory financial statements for the year ended 31 December 2006 have been filed with the Registrar of Companies. The auditors have reported on those financial statements and on the statutory financial statements for the year ended 31 December 2007, which will be filed with the Registrar of Companies following the annual general meeting. Both the audit reports were unqualified and did not contain any statement under sections 237 (2) or (3) of the Companies Act 1985.

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

2. Segment information

	Revenue		Profit/(loss) before taxation	
	2007 £m	2006 £m	2007 £m	2006 £m
Continuing operations				
Consumer Credit Division	590.5	576.7	123.5	127.5
Vanquis Bank	63.5	34.2	(0.9)	(18.3)
Yes Car Credit	15.2	43.7	(2.9)	(1.5)
	669.2	654.6	119.7	107.7
Central - costs	-	-	(6.5)	(6.0)
- interest receivable	-	-	2.0	2.4
Total central	-	-	(4.5)	(3.6)
Total continuing operations	669.2	654.6	115.2	104.1

All of the above activities relate to continuing operations as defined in IFRS 5 'Non-current Assets for Sale and Discontinued Operations'. Consistent with the treatment in prior years, the Yes Car Credit operation has been classified as part of continuing operations on the basis that revenue and impairment will continue to be generated from the loan book until it has been fully collected-out.

Revenue between business segments is not material. All of the group's operations now operate in the UK and Republic of Ireland. A geographic analysis of revenue and profit before taxation of the international business up until demerger is provided in note 4.

	Net assets/(liabilities)	
	2007 £m	2006 £m
Continuing operations		
Consumer Credit Division*	209.6	176.0
Vanquis Bank	28.6	32.0
Yes Car Credit	(41.9)	(37.4)
Central*	99.6	19.9
Total continuing operations	295.9	190.5
Discontinued operations		
International*	-	82.2
Insurance	-	81.3
Total discontinued operations	-	163.5
Total group	295.9	354.0

* During 2007, the allocation of group net assets has been amended to (i) reallocate certain centrally held tax provisions to the international business in line with the arrangements in place on demerger and (ii) adjust the statutory net assets of the Consumer Credit Division to reflect a borrowings to receivables ratio of 80% consistent with the treatment adopted for charging interest to the income statement. Prior year comparatives have been restated on a comparable basis which has resulted in net assets of the international business as at 31 December 2006 reducing by £7.0m, net assets of the Consumer Credit Division as at 31 December 2006 reducing by £180.3m and net assets of central activities as at 31 December 2006 increasing by £187.3m.

3. Tax charge

The tax charge/(credit) to the income statement is as follows:

	2007 £m	2006 £m
Continuing operations		
Current tax	30.6	(2.6)
Deferred tax	3.6	33.4
Impact of change in UK tax rate	0.3	-
Total tax charge for continuing operations	34.5	30.8
Discontinued operations		
Current tax	8.1	24.4
Deferred tax	2.2	0.1
Total tax charge for discontinued operations	10.3	24.5
Total tax charge	44.8	55.3

The tax charge in relation to discontinued operations includes a tax credit of £0.9m (2006: £1.1m) in respect of demerger costs and a tax charge of £1.9m (2006: £nil) in respect of the profit on disposal of the insurance business (see note 4).

During the year, as a result of the change in UK corporation tax rates which will be effective from 1 April 2008, deferred tax balances have been remeasured. Deferred tax relating to temporary differences which are expected to reverse prior to 1 April 2008 is measured at a tax rate of 30% and deferred tax relating to temporary differences expected to reverse after 1 April 2008 is measured at a tax rate of 28%, as these are the tax rates which will apply on reversal. The tax charge of £0.3m in 2007 represents the income statement adjustment to deferred tax as a result of this change. An additional deferred tax credit of £0.8m has been taken directly to equity, reflecting the impact of the change in UK tax rates on items previously reflected directly in equity.

The tax charge/(credit) on items taken directly to equity is as follows:

	2007 £m	2006 £m
Current tax charge on net fair value gains – cash flow hedges	1.3	0.2
Deferred tax charge/(credit) on actuarial gains/(losses) on retirement benefit asset	13.9	(0.1)
	15.2	0.1
Impact of change in UK tax rate	(0.8)	-
Total tax charge on items taken directly to equity	14.4	0.1

The rate of tax charge on the profit before taxation from continuing operations for the year is lower than (2006: lower than) the standard rate of corporation tax in the UK (30%). The differences are explained as follows:

	2007 £m	2006 £m
Profit before taxation from continuing operations	115.2	104.1
Profit before taxation from continuing operations multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	34.6	31.2
Effects of:		
Adjustment in respect of prior years	(0.5)	(4.0)
Expenses not deductible for tax purposes	0.1	0.2
Change in UK tax rate	0.3	-
Overseas taxable dividends	-	3.4
Total tax charge for continuing operations	34.5	30.8

4. Discontinued operations

The demerger of the companies forming the international business was completed on 16 July 2007 and the disposal of the companies forming the insurance business was completed on 15 June 2007. Accordingly, these businesses have been presented as discontinued operations in accordance with IFRS 5. There is no impact on the prior year financial statements other than a change in the presentation of the results and cash flows of these businesses to discontinued operations. There is no impact on the prior year balance sheet.

The profit after taxation attributable to discontinued operations can be analysed as follows:

	2007 £m	2006 £m
Profit after taxation for the year from the trading activities of the international business	13.4	31.2
Demerger costs, net of tax credit	(31.3)	(10.0)
	(17.9)	21.2
Profit after taxation for the year from the trading activities of the insurance business	8.2	30.4
Profit after taxation on disposal of the insurance business	67.4	-
	75.6	30.4
Profit after taxation for the year from discontinued operations	57.7	51.6

The profit after taxation for the year from the trading activities of the international business can be analysed as follows:

	2007* £m	2006 £m
Revenue	207.4	365.3
Finance income	3.8	7.2
Total income	211.2	372.5
Finance costs	(16.1)	(28.6)
Operating costs	(74.6)	(161.3)
Administrative expenses	(101.4)	(136.4)
Total costs	(192.1)	(326.3)
Profit before taxation for the year from trading activities	19.1	46.2
Tax charge	(5.7)	(15.0)
Profit after taxation for the year from trading activities	13.4	31.2

* Represents six and a half months trading under the group’s ownership up until 16 July 2007.

The revenue and profit before taxation for the year from the trading activities of the international business can be further analysed into the following geographical segments:

	Revenue		Profit/(loss) before taxation	
	2007	2006	2007	2006
	£m	£m	£m	£m
Central Europe	187.1	338.6	34.5	65.7
Mexico	18.7	26.4	(7.7)	(9.7)
Romania	1.6	0.3	(2.0)	(2.4)
UK and Republic of Ireland	-	-	(5.7)	(7.4)
Total	207.4	365.3	19.1	46.2

The net assets of the international business on demerger were £165.9m. As the divestment was accounted for as a demerger in the form of a dividend in specie, there was no gain or loss recognised in the income statement. There was no tax charge/credit arising as a result of the demerger.

Demerger costs of £32.2m (2006: £11.1m) comprise costs incurred in connection with the demerger of the international business. The costs comprise £7.2m (2006: £1.1m) of advisors fees, £6.1m (2006: £5.3m) of accounting and legal fees, £6.3m (2006: £nil) of share-based payment costs (see note 9), £4.5m (2006: £nil) of bonus costs, £2.2m (2006: £3.2m) of IT separation costs, £1.4m (2006: £nil) of impairment costs in respect of intangible assets, £0.1m (2006: £1.0m) of costs incurred in establishing IPF's headquarters and £4.4m (2006: £0.5m) of other costs. A tax credit of £0.9m arose in respect of demerger costs (2006: £1.1m).

The profit after taxation for the year from the trading activities of the insurance business can be analysed as follows:

	2007*	2006
	£m	£m
Revenue	61.8	160.9
Finance income	7.4	18.1
Total income	69.2	179.0
Operating costs	(49.0)	(120.1)
Administrative expenses	(8.4)	(17.9)
Total costs	(57.4)	(138.0)
Profit before taxation for the year from trading activities	11.8	41.0
Tax charge	(3.6)	(10.6)
Profit after taxation for the year from trading activities	8.2	30.4

* Represents five and a half months trading under the group's ownership up until 15 June 2007.

Included within operating costs is a credit of £13.9m (2006: £42.7m) in respect of the release of provisions for prior year claims.

All of the above insurance activities relate to activities in the UK and Republic of Ireland.

The profit after taxation on disposal of the insurance business can be analysed as follows:

	£m
Sales proceeds	170.5
Termination of interest rate swaps	(6.9)
Section 75 pension contribution (note 8)	(3.4)
Disposal costs	(8.1)
Tax recovered from purchaser	2.0
Net cash consideration	154.1
Retirement benefit curtailment credit (note 8)	2.9
Share-based payment charge (note 9)	(0.6)
Increase in retirement benefit asset following Section 75 pension contribution (note 8)	3.4
Net assets on disposal	(90.5)
Profit before taxation on disposal of the insurance business	69.3
Tax charge	(1.9)
Profit after taxation on disposal of the insurance business	67.4

The interest rate swaps were held to hedge the interest rate risk on the investment funds held by the insurance business. These swaps were terminated on disposal at a cost of £6.9m.

The Section 75 pension contribution represents a reduction in consideration for the payment of £3.4m of pension contributions into the group's defined benefit pension schemes by the insurance business following disposal. The group's retirement benefit asset has increased by a corresponding amount (see note 8).

Disposal costs of £8.1m comprise professional fees and the cost of bonuses for the senior management team of the insurance business.

The tax recovered from the purchaser of £2.0m represents an adjustment to the consideration to reflect tax relief obtained by the purchaser.

The retirement benefit curtailment credit of £2.9m arises as a result of the reduction in the group's projected defined benefit obligation following the insurance business employees ceasing to be active members of the group's pension schemes (see note 8).

A deferred tax liability of £1.9m has been recognised on the pension curtailment credit and the Section 75 pension contribution.

The share-based payment charge of £0.6m represents the crystallisation of the share options of the insurance business management team as a result of the disposal (see note 9).

No tax liability arises on the disposal of the insurance business due to the availability of the Substantial Shareholdings Exemption.

The cashflows from discontinued operations were as follows:

	International business		Insurance business		Total	
	2007	2006	2007	2006	2007	2006
	£m	£m	£m	£m	£m	£m
(Loss)/profit after taxation from discontinued operations	(17.9)	21.2	75.6	30.4	57.7	51.6
Adjusted for:						
Tax charge	4.8	13.9	5.5	10.6	10.3	24.5
Finance costs	16.1	28.6	-	-	16.1	28.6
Finance income	(3.8)	(7.2)	(7.4)	(18.1)	(11.2)	(25.3)
Share-based payment charge/(credit)	6.6	(0.4)	-	0.1	6.6	(0.3)
Cash settlement of share-based payments (note 9)	(3.8)	-	-	-	(3.8)	-
Retirement benefit (credit)/charge (note 8)	-	(0.2)	0.1	(0.7)	0.1	(0.9)
Amortisation of intangible assets	1.6	-	8.6	22.2	10.2	22.2
Depreciation of property, plant and equipment	4.3	7.2	0.3	0.5	4.6	7.7
Impairment of intangible assets	1.4	-	-	-	1.4	-
Profit on disposal of property, plant and equipment	(0.4)	(0.1)	-	-	(0.4)	(0.1)
Profit on disposal of insurance business	-	-	(69.3)	-	(69.3)	-
Changes in operating assets and liabilities:						
Amounts receivable from customers	(24.3)	(7.0)	-	-	(24.3)	(7.0)
Trade and other receivables	(3.9)	(0.5)	(0.2)	(1.2)	(4.1)	(1.7)
Insurance assets	-	-	(23.4)	(11.7)	(23.4)	(11.7)
Trade and other payables	7.3	15.3	1.0	(1.3)	8.3	14.0
Insurance accruals and deferred income	-	-	(6.8)	(30.9)	(6.8)	(30.9)
Retirement benefit asset	(0.1)	(6.1)	(0.3)	(11.7)	(0.4)	(17.8)
Derivative financial instruments	(1.0)	(0.8)	-	-	(1.0)	(0.8)
Cash (used in)/generated from discontinued operations	(13.1)	63.9	(16.3)	(11.8)	(29.4)	52.1
Finance costs paid	(17.7)	(28.8)	-	-	(17.7)	(28.8)
Finance income received	6.1	7.2	7.1	18.7	13.2	25.9
Tax paid	(13.1)	(18.2)	(2.1)	(9.0)	(15.2)	(27.2)
Net cash (used in)/generated from discontinued operating activities	(37.8)	24.1	(11.3)	(2.1)	(49.1)	22.0
Purchases of property, plant and equipment	(9.9)	(17.4)	(0.7)	(0.5)	(10.6)	(17.9)
Proceeds from disposal of property, plant and equipment	2.2	3.5	0.4	-	2.6	3.5
Purchases of intangible assets	-	-	(0.3)	(0.1)	(0.3)	(0.1)
Proceeds from disposal of insurance business, net of cash and cash equivalents disposed of*	-	-	(189.0)	-	(189.0)	-
Net cash demerged with international business	(44.7)	-	-	-	(44.7)	-
Net cash used in investing activities in discontinued operations	(52.4)	(13.9)	(189.6)	(0.6)	(242.0)	(14.5)
Proceeds from borrowings	54.8	53.7	-	-	54.8	53.7
Repayment of borrowings	(181.7)	(49.1)	-	-	(181.7)	(49.1)
Net cash (used in)/generated from financing activities in discontinued operations	(126.9)	4.6	-	-	(126.9)	4.6
Net (decrease)/increase in cash and cash equivalents in discontinued operations	(217.1)	14.8	(200.9)	(2.7)	(418.0)	12.1

* The proceeds from disposal of the insurance business, net of cash and cash equivalents disposed of, comprises net cash consideration received of £154.1m (2006: £nil) less cash and cash equivalents of £343.1m (2006: £nil).

5. Earnings per share

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

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

Reconciliations of basic and diluted EPS for continuing operations, the total group and discontinued operations are set out below:

	2007			2006		
	Earnings £m	Weighted average number of shares m	Per share amount pence	Earnings £m	Weighted average number of shares m	Per share amount pence
EPS from continuing operations						
Shares in issue during the year		197.9			255.6	
Own shares held		(0.4)			(0.7)	
Basic EPS from continuing operations	80.7	197.5	40.86	73.3	254.9	28.76
Dilutive effect of share options and awards	-	1.8	(0.37)	-	0.9	(0.10)
Diluted EPS from continuing operations	80.7	199.3	40.49	73.3	255.8	28.66
EPS attributable to equity shareholders						
Shares in issue during the year		197.9			255.6	
Own shares held		(0.4)			(0.7)	
Basic EPS attributable to equity shareholders	138.4	197.5	70.08	124.9	254.9	49.00
Dilutive effect of share options and awards	-	1.8	(0.64)	-	0.9	(0.17)
Diluted EPS attributable to equity shareholders	138.4	199.3	69.44	124.9	255.8	48.83
EPS from discontinued operations						
Shares in issue during the year		197.9			255.6	
Own shares held		(0.4)			(0.7)	
Basic EPS from discontinued operations	57.7	197.5	29.22	51.6	254.9	20.24
Dilutive effect of share options and awards	-	1.8	(0.27)	-	0.9	(0.07)
Diluted EPS from discontinued operations	57.7	199.3	28.95	51.6	255.8	20.17

The demerger of the international business on 16 July 2007 was effected by a dividend in specie of the company's shareholding in the international business followed by a one for two consolidation of the shares of Provident Financial plc. In accordance with IAS 33 'Earnings per Share', the weighted average number of shares outstanding in 2007 has been adjusted for the reduction in the number of ordinary shares from the date the dividend in specie was recognised. Accordingly, no adjustment has been made to the opening number of shares in 2007 or the prior year comparatives used in the above calculations. As a result of this requirement, and the consequent impact on EPS from continuing operations, the directors have elected to show an adjusted EPS from continuing operations after restating the weighted average number of shares in issue in both 2006 and 2007 to take account of the one for two share consolidation as though it had occurred on 1 January 2006. In addition, in order to show the EPS generated by the group's underlying operations, the directors have elected to restate central costs from £6.5m to £4.0m in 2007 and from £6.0m to £4.0m in 2006 to reflect the actual cost of running the central corporate function following demerger. A reconciliation of basic and diluted EPS from continuing operations to adjusted basic and diluted EPS from continuing operations is as follows:

		2007			2006	
	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 EPS from continuing operations	80.7	197.5	40.86	73.3	254.9	28.76
Share consolidation adjustment	-	(67.6)	21.26	-	(127.3)	28.69
Central costs adjustment, net of tax at 30%	1.8	-	1.39	1.4	-	1.09
Adjusted basic EPS from continuing operations	82.5	129.9	63.51	74.7	127.6	58.54
Diluted EPS from continuing operations	80.7	199.3	40.49	73.3	255.8	28.66
Share consolidation adjustment	-	(67.6)	20.79	-	(127.3)	28.38
Central costs adjustment, net of tax at 30%	1.8	-	1.36	1.4	-	1.09
Adjusted diluted EPS from continuing operations	82.5	131.7	62.64	74.7	128.5	58.13

6. Dividends

	Pence per share	2007 £m	2006 £m
2005 final	- 21.37p	-	54.4
2006 interim	- 14.48p	-	37.0
2006 final	- 22.02p	56.4	-
2007 interim	- 25.40p	33.0	-
Dividends paid		89.4	91.4

The 2007 interim dividend of 25.40p per share was based on the number of shares in issue following the one for two share consolidation which took place on 16 July 2007 in conjunction with the demerger of the international business. The dividend per share amounts in respect of 2005 and 2006 were based on the shares in issue prior to the share consolidation.

The directors are recommending a final dividend in respect of the financial year ended 31 December 2007 of 38.10p per share which will amount to a dividend payment of £50.0m. If approved by the shareholders at the annual general meeting on 8 May 2008, this dividend will be paid on 20 June 2008 to shareholders who are on the register of members at 16 May 2008. This dividend is not reflected in the balance sheet as at 31 December 2007 as it is subject to shareholder approval.

7. Amounts receivable from customers

	2007 £m	2006 £m
Continuing operations		
Consumer Credit Division	749.0	695.6
Vanquis Bank	143.1	97.5
Yes Car Credit	33.3	108.6
Total continuing operations	925.4	901.7
Discontinued operations		
International	-	331.0
Total group	925.4	1,232.7
Analysed as:		
- due within one year	853.6	1,103.2
- due in more than one year	71.8	129.5
	925.4	1,232.7

Of the amounts receivable from customers due within one year, £853.6m (2006: £790.8m) relates to continuing operations and £nil (2006: £312.4m) relates to discontinued operations. Of the amounts receivable from customers due in more than one year, £71.8m (2006: £110.9m) relates to continuing operations and £nil (2006: £18.6m) relates to discontinued operations.

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

	2007 £m	2006 £m
Continuing operations		
Consumer Credit Division	175.3	178.8
Vanquis Bank	25.2	19.4
Yes Car Credit	6.7	22.6
Total continuing operations	207.2	220.8
Discontinued operations		
International*	46.0	103.1
Total group	253.2	323.9

* The 2007 impairment charge for the international business represents the impairment charge for the six and a half months trading under the group’s ownership up until 16 July 2007.

8. Retirement benefit asset

The group and company operate a number of UK-based pension schemes. The two major defined benefit schemes are the Provident Financial Senior Pension Scheme (‘the senior pension scheme’) and the Provident Financial Staff Pension Scheme (‘the staff pension scheme’). The schemes cover 72% of employees with company-provided pension arrangements and are of the funded, defined benefit type providing retirement benefits based on final salary. Following a full group review of pension scheme arrangements during 2005, from 1 April 2006 members were provided with a choice of paying higher member contributions to continue accruing benefits based on final salary or paying a lower member contribution and accruing benefits based on a percentage of salary which would be revalued each year.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out as at 1 June 2006 by a qualified independent actuary. The valuation used for the purposes of IAS 19 ‘Employee Benefits’ has been based on the results of these valuations which have been updated by the actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the schemes as at the balance sheet date. Scheme assets are stated at fair value as at the balance sheet date.

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

	2007 £m	2006 £m
Equities	249.5	254.5
Bonds	22.6	22.1
Fixed interest gilts	34.8	1.1
Index-linked gilts	53.8	20.7
Cash and money market funds	105.0	169.5
Total fair value of scheme assets	465.7	467.9
Present value of funded defined benefit obligations	(404.2)	(459.0)
Net retirement benefit asset recognised in the balance sheet	61.5	8.9

The amounts recognised in the income statement are as follows:

	2007 £m	2006 £m
Current service cost	(6.7)	(7.6)
Interest cost	(22.6)	(21.0)
Expected return on scheme assets	28.8	27.5
Net charge before past service and curtailment credits	(0.5)	(1.1)
Past service credit	-	2.2
Curtailment credit	2.9	4.4
Net credit recognised in the income statement	2.4	5.5

Following the disposal of the insurance business on 15 June 2007, the relevant employees of the insurance business ceased to be active members of the group’s pension schemes. Accordingly their benefits are no longer linked to future salary increases and therefore the projected defined benefit obligation relating to them is less than that anticipated prior to the disposal. The reduction in the projected defined benefit obligation of £2.9m has been recognised as a curtailment credit in the consolidated income statement in the year ended 31 December 2007. This amount has been included within the profit on disposal of the insurance business (see note 4). The remaining net (charge)/credit has been included within administrative expenses and comprises a charge of £0.4m (2006: credit of £4.6m) in respect of continuing operations and a charge of £0.1m (2006: credit of £0.9m) in respect of discontinued operations.

During 2006, changes to the rules of the pension schemes and to the tax applying to pension scheme benefits meant that in most cases members of the pension schemes would be able to take a larger proportion of their benefits in the form of a cash lump sum at retirement. Due to the terms under which members' pensions are converted into cash lump sums, in the year ended 31 December 2006 these changes led to a £2.2m past service saving relating to deferred members of the pension schemes and a £4.4m curtailment saving relating to active members of the pension schemes. Of the total credit to the income statement of £6.6m, £5.5m related to continuing operations and £1.1m related to discontinued operations.

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

	2007 £m	2006 £m
Fair value of scheme assets at 1 January	467.9	331.1
Expected return on assets	28.8	27.5
Actuarial gains on scheme assets	0.1	7.1
Section 75 contribution on disposal of insurance business	3.4	-
Assets relating to international business on demerger	(31.3)	-
Contributions by the group	4.0	109.3
Contributions paid by scheme participants	3.0	3.5
Net benefits paid out	(10.2)	(10.6)
Fair value of scheme assets at 31 December	465.7	467.9

The Section 75 contribution on disposal of the insurance business of £3.4m is the statutory pension debt arising as a result of the insurance business ceasing to participate in the group's pension schemes following sale. It was calculated in accordance with Section 75 of the Pensions Act 1995.

The demerger agreement between the group and International Personal Finance plc (IPF) provided that the employees of the international business could continue to participate in the group's defined benefit pension schemes for a certain period following demerger. As the group and the international business are no longer under common control, the group's defined benefit pension schemes meet the definition of a multi-employer plan in accordance with IAS 19. Accordingly, the net retirement benefit asset relating to the international business of £3.5m was removed from the group's balance sheet at the date of demerger as part of the dividend in specie. The net retirement benefit asset comprised the fair value of scheme assets of £31.3m and the present value of the defined benefit obligation of £27.8m. The full transfer of the assets and the defined benefit obligation relating to the international business to a newly established IPF scheme is expected to take place in the first half of 2008.

In January 2006, the group made an additional special contribution of £102.2m in order to ensure that the defined benefit pension schemes were fully funded based on the June 2005 deficit position.

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

	2007 £m	2006 £m
Defined benefit obligation at 1 January	(459.0)	(436.7)
Current service cost	(6.7)	(7.6)
Interest cost	(22.6)	(21.0)
Past service credit	-	2.2
Curtailment credit	2.9	4.4
Liabilities relating to international business on demerger	27.8	-
Contributions paid by scheme participants	(3.0)	(3.5)
Actuarial gains/(losses) on scheme liabilities	46.2	(7.4)
Net benefits paid out	10.2	10.6
Defined benefit obligation at 31 December	(404.2)	(459.0)

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

		2007 %	2006 %
Price inflation		3.40	3.10
Rate of increase in pensionable salaries		4.97	4.68
Rate of increase to pensions in payment		3.40	3.10
Discount rate		5.70	5.10
Long term rate of return	– equities	7.85	7.85
	– bonds	4.70	5.10
	– fixed interest gilts	4.50	4.50
	– index-linked gilts	4.25	4.50
	– cash and money market funds	5.90	5.25
	– overall (weighted average)	6.59	6.62

The mortality assumptions used in the valuation of the defined benefit pension schemes are based on the mortality experience of insured pension schemes and allow for future improvements in life expectancy. The group continues to use the PA92 series of standard tables combined with the medium cohort improvement factors for projecting mortality. In more simple terms, for members of the staff scheme it is assumed that members who retire in the future at age 65 will live on average for a further 21 years if they are male and for a further 24 years if they are female. For members of the senior scheme it is assumed that members who retire in the future at age 60 will live on average for a further 29 years if they are male and for a further 32 years if they are female. If assumed life expectancies had been one year greater for both schemes, the retirement benefit asset would have reduced by approximately £18m (2006: £20m).

An analysis of amounts recognised in the consolidated statement of recognised income and expense (SORIE) is as follows:

	2007 £m	2006 £m
Actuarial gains on scheme assets	0.1	7.1
Actuarial gains/(losses) on scheme liabilities	46.2	(7.4)
Total gain/(loss) recognised in the SORIE in the year	**46.3**	**(0.3)**

9. Consolidated statement of changes in shareholders' equity

	Called-up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 January 2006	26.5	107.7	5.5	177.7	317.4
Exchange losses on foreign currency translations	-	-	(0.2)	-	(0.2)
Cash flow hedges - net fair value gains	-	-	0.2	-	0.2
Actuarial losses on retirement benefit asset	-	-	-	(0.3)	(0.3)
Tax (charge)/credit on items taken directly to equity	-	-	(0.2)	0.1	(0.1)
Net expense recognised directly in equity	-	-	(0.2)	(0.2)	(0.4)
Profit for the year	-	-	-	124.9	124.9
Total recognised (expense)/income for the year	-	-	(0.2)	124.7	124.5
Issue of share capital	-	3.1	-	-	3.1
Treasury shares adjustment - vesting of shares	-	-	2.3	-	2.3
Share-based payment adjustment – credit to the income statement	-	-	(1.9)	-	(1.9)
Dividends	-	-	-	(91.4)	(91.4)
Balance at 31 December 2006	26.5	110.8	5.7	211.0	354.0
Balance at 1 January 2007	26.5	110.8	5.7	211.0	354.0
Cash flow hedges:					
- net fair value gains	-	-	1.7	-	1.7
- recycled and reported in profit for the year	-	-	2.8	-	2.8
Actuarial gains on retirement benefit asset	-	-	-	46.3	46.3
Tax charge on items taken directly to equity	-	-	(1.3)	(13.9)	(15.2)
Impact of change in UK tax rate	-	-	-	0.8	0.8
Net income recognised directly in equity	-	-	3.2	33.2	36.4
Profit for the year	-	-	-	138.4	138.4
Total recognised income for the year	-	-	3.2	171.6	174.8
Issue of share capital	0.7	21.9	-	-	22.6
Treasury shares adjustments:					
- purchases of own shares	-	-	(6.5)	-	(6.5)
- vesting of shares	-	-	2.1	-	2.1
- transfer of treasury shares reserve	-	-	2.6	(2.6)	-
Share-based payment adjustments:					
- share-based payment charge	-	-	8.8	-	8.8
- cash settlement in respect of share-based payments	-	-	(3.8)	-	(3.8)
- transfer of share-based payment reserve	-	-	(5.7)	5.7	-
- deferred tax on share-based payment reserve transfer	-	-	-	(0.8)	(0.8)
Dividends	-	-	-	(89.4)	(89.4)
Demerger of international business – dividend in specie	-	-	-	(165.9)	(165.9)
Transfer of foreign exchange reserve on demerger of international business	-	-	(6.3)	6.3	-
Balance at 31 December 2007	27.2	132.7	0.1	135.9	295.9

The demerger of the international business on 16 July 2007 was effected by a divestment in the form of a dividend in specie. The dividend in specie amounts to the net assets of the international business on demerger of £165.9m.

The transfer of £2.6m from the treasury shares reserve to retained earnings in 2007 represents the shortfall between the cash cost of own shares purchased less the proceeds from vesting of shares in respect of the QUEST which no longer holds any shares in the company.

The share-based payment charge in 2007 includes:

- £0.6m arising as a result of the crystallisation of executive share options and Save As You Earn options of the insurance business management team following the disposal of that business on 15 June 2007. The amount has been included within the profit on disposal of the insurance business which forms part of discontinued operations (see note 4).
- £6.3m arising as a result of the crystallisation of executive share options and Save As You Earn options of group employees following demerger of the international business. This amount has been included within demerger costs which forms part of discontinued operations (see note 4).

The share-based payment charge arising on demerger of the international business includes a charge of £3.8m in respect of executive share options which were cancelled and settled in the form of cash compensation. As group net assets have reduced by £3.8m following the outflow of cash, a corresponding debit of £3.8m has been made to the share-based payment reserve.

Following the issue of shares to satisfy share-based payments during 2007, a transfer of £5.7m has been made from the share-based payment reserve to retained earnings.

The foreign exchange reserve represented the cumulative exchange gains/losses on retranslating the opening net assets of the international business. Following demerger of the international business, the total of this reserve, amounting to £6.3m, has been transferred to retained earnings.

Information for shareholders

1. The shares will be marked ex-dividend on 14 May 2008.

2. The final dividend will be paid on 20 June 2008 to shareholders on the register at the close of business on 16 May 2008. Dividend warrants/vouchers will be posted on 18 June 2008.

3. The 2007 annual report and financial statements together with the notice of the annual general meeting will be posted to shareholders on or around 2 April 2008.

4. The Provident Financial Company Nominee Scheme ('the scheme') enables shareholders who are eligible, namely individuals, to take advantage of the CREST system for settling transactions in shares in the company by means of a low-cost dealing service. It includes a dividend reinvestment scheme for those who wish to use this facility. Shareholders who wish to take advantage of the scheme should contact the company's registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, telephone: 0871 664 0300 (calls cost 10p per minute plus network extras) to request an information pack. The registrar's website is www.capitaregistrars.com.

5. The annual general meeting will be held on 8 May 2008 at the Marriot Hollins Hall Hotel and Country Club, Hollins Hill, Baildon, Shipley, West Yorkshire, BD17 7QW.