

**PROVIDENT PERSONAL CREDIT LIMITED**  
**(Company Number 146091)**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

**PROVIDENT PERSONAL CREDIT LIMITED**  
**(Company Number 146091)**

**CONTENTS**

	Page
Directors' report	1
Strategic report	3
Statement of directors' responsibilities	4
Independent auditor's report	5
Income statement	6
Statement of comprehensive income	6
Balance sheet	7
Statement of changes in shareholder's equity	8
Statement of cash flows	9
Statement of accounting policies	10
Financial and capital risk management	16
Notes to the financial statements	19

## **PROVIDENT PERSONAL CREDIT LIMITED**

(Company Number 146091)

### **DIRECTORS' REPORT**

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

#### **Principal activities**

The principal activity of the company is to provide unsecured home credit loans to customers in the UK and Republic of Ireland.

#### **Results**

The income statement for the year is set out on page 6. The profit for the year of £53.0m (2012: £82.8m) has been added to reserves.

#### **Dividends**

During the year ended 31 December 2013, the directors paid an interim dividend on the ordinary shares of the company of £85.0m (2012: £60.0m), which has been deducted from reserves. The directors do not recommend a final dividend (2012: £nil).

The directors have declared and paid the 5.165% dividend on the preference shares issued in 2002 of £9,130 (2012: £9,130) and the 5.84% dividend on the preference shares issued in 2004 of £7,313 (2012: £7,313).

#### **Directors**

The directors of the company during the year ended 31 December 2013, all of whom were directors for the whole year then ended and to the date of this report, except where stated, were:

M Stevens	Chairman
S M Dickins	
J R Gillespie	
S D Shaw	
A J Parkinson	(Appointed 1 April 2013)
T R Anson	(Appointed 16 September 2013)
P A McLelland	(Appointed 2 December 2013)
I T Bailey	(Resigned 1 February 2013)
C D Gillespie	(Resigned 13 September 2013)
D C Craggs	(Resigned 26 September 2013)
C E F Taylor	(Resigned 30 September 2013)

#### **Principal risks and uncertainties and financial risk management**

The company participates in the group-wide risk management framework of Provident Financial plc. Details of the group's risk management framework together with the group's principal risks and uncertainties are set out in the annual report of Provident Financial plc.

The financial and capital risk management policies of the company are set out on pages 16 to 18.

#### **Employee involvement**

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company and group is encouraged as achieving a common awareness amongst all employees of the financial and economic factors affecting the company and group plays a major role in maintaining its competitive position. The company encourages the involvement of employees by means of newsletters, weekly performance updates, regular management team briefings, staff meetings and conferences including trade union meetings. A Save As You Earn (SAYE) share option scheme is operated by the group to reinforce staff involvement in the group and to encourage an interest in its progress. The current scheme is open to all permanent employees of the company with more than six months' service.

**PROVIDENT PERSONAL CREDIT LIMITED**

**(Company Number 146091)**

**DIRECTORS' REPORT (CONTINUED)**

**Equal opportunities**

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company 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 company. 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.

**Auditor information**

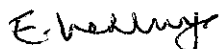
In accordance with section 418 of the Companies Act 2006, each person who is a director at the date of this report confirmed that:

- i) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- ii) he/she has taken all reasonable steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Auditor**

Deloitte LLP will continue as auditor to the company for the next financial year.

BY ORDER OF THE BOARD



E G Versluys  
Company Secretary  
Bradford  
14 March 2014

**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**STRATEGIC REPORT**

The company's profit before taxation and exceptional items in 2013 was £77.6m (2012: £108.2m) reflecting difficult trading conditions. An exceptional cost of £9.6m has been incurred in 2013 relating to the cost of a business restructuring within the company, including redundancy costs of £8.7m associated with a headcount reduction of 410 employees.

Demand for credit was weak due to very low home credit customer confidence and the persistent pressure on household incomes from rising food, fuel and utility bills. Weaker demand has been particularly apparent amongst better-quality existing customers who are typically served with higher value, longer duration loans that tend to be used for more discretionary items of expenditure. In addition, as part of the focus on driving returns in the home credit business, significantly tighter credit standards have been implemented which reduced the flow of new customers into the business through the final quarter of the year and contributed to customer numbers of 1,315,000 ending the year 17.5% lower than 2012. Early results following the launch of Satsuma, CCD's online direct repayment loan product, are encouraging and fully confirm the potential of a business capable of delivering the group's target returns. The capability is being built to support a faster roll-out from late 2014.

Amounts receivable from customers at the end of December of £645.7m were 13.5% lower than the previous year and average receivables showed a year-on-year reduction of 6.3% due to the combination of weaker demand, tighter credit standards and lower customer recruitment.

Revenue increased by 1.4% to £595.2m (2012: £587.1m) primarily as a result of the annualised revenue yield which strengthened to 94.6% at the end of December, up significantly from 87.4% at the end of last year. There are many factors causing this increase, one of which is the mix of loans in the book.

Finance costs in 2013 of £46.6m were 9.2% lower than last year reflecting the reduction in average receivables and a reduction in the funding rate for the company from 7.4% to 6.8%.

Impairment of amounts receivable from customers increased by 23.3% to £221.6m (2012: £179.7m) as a result of the deterioration in the arrears profile that occurred during the first nine months of the year. This resulted from weaker demand as those existing customers not wishing to take further credit have less incentive to bring their accounts up to date and typically remained in mild arrears. Consequently, the ratio of impairment to revenue increased from 30.6% at December 2012 to 37.2% at the end of 2013. However, approximately half of the increase is attributable to the increase in the revenue yield.

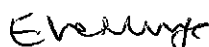
Costs remained under close scrutiny throughout 2013 and the first phase of the cost reduction programme was implemented in July 2013. This included a reduction in headcount of approximately 170. In November, the company announced the second phase of the cost reduction programme including further headcount reductions totalling 240. The related consultation period was successfully concluded in December.

**Going concern**

Having considered the cash flow and liquidity requirements of the company and the company's forecasts, the directors expect that the business will continue for the foreseeable future and the company will be able to meet its liabilities as they fall due. Accordingly the financial statements of the company have been prepared on a going concern basis. Further details on the basis of preparation is provided on page 10.

The company forms part of the Consumer Credit Division. A full review of the business, results and future prospects of the Consumer Credit Division is set out in the annual report of Provident Financial plc.

BY ORDER OF THE BOARD



E G Versluys  
Company Secretary  
Bradford  
14 March 2014

**PROVIDENT PERSONAL CREDIT LIMITED**  
**(Company Number 146091)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

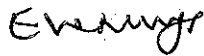
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

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

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

BY ORDER OF THE BOARD



E G Versluys  
Company Secretary  
Bradford  
14 March 2014

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

We have audited the financial statements of Provident Personal Credit Limited for the year ended 31 December 2013 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in shareholder's equity, the statement of cash flows, the statement of accounting policies, the financial and capital risk management report and the related notes 1 to 27 of the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

**Respective responsibilities of directors and auditor**

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

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report and strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

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

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



Peter Birch FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Manchester, United Kingdom  
14 March 2014

**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**INCOME STATEMENT**

For the year ended 31 December	Note	2013 £m	2012 £m
Revenue	1	595.2	587.1
Finance income	2	15.2	14.1
<b>Total income</b>		<b>610.4</b>	<b>601.2</b>
Finance costs	3	(46.6)	(51.3)
Operating costs		(331.1)	(288.4)
Administrative costs		(164.7)	(153.3)
Administrative costs before exceptional items		(155.1)	(153.3)
Exceptional items	4	(9.6)	-
<b>Total costs</b>		<b>(542.4)</b>	<b>(493.0)</b>
<b>Profit before taxation</b>	4	<b>68.0</b>	<b>108.2</b>
Profit before taxation and exceptional items	4	77.6	108.2
Exceptional items	4	(9.6)	-
Tax charge	5	(15.0)	(25.4)
<b>Profit for the year attributable to the equity shareholder</b>		<b>53.0</b>	<b>82.8</b>

All of the above operations relate to continuing operations.

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December	Note	2013 £m	2012 £m
<b>Profit for the year attributable to the equity shareholder</b>		<b>53.0</b>	<b>82.8</b>
Other comprehensive income:			
- cash flow hedges	12	0.3	(0.4)
- exchange differences on translation of foreign operations		(0.3)	-
- tax on other comprehensive income	5	-	0.1
Other comprehensive income for the year		-	(0.3)
<b>Total comprehensive income for the year</b>		<b>53.0</b>	<b>82.5</b>



**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**BALANCE SHEET**

As at 31 December	Note	2013 £m	2012 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	3.6	3.7
Financial assets:			
- amounts receivable from customers	10	70.7	87.1
Deferred tax assets	15	0.9	1.1
		<u>75.2</u>	<u>91.9</u>
<b>Current assets</b>			
Financial assets:			
- amounts receivable from customers	10	575.0	659.7
- derivative financial instruments	12	0.1	-
- cash and cash equivalents	16	10.1	15.1
- trade and other receivables	13	209.8	219.2
		<u>795.0</u>	<u>894.0</u>
<b>Total assets</b>		<b>870.2</b>	<b>985.9</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Financial liabilities:			
- bank and other borrowings	17	(4.5)	(1.0)
- derivative financial instruments	12	-	(0.2)
- trade and other payables	18	(705.8)	(789.1)
Current tax liabilities		(5.0)	(9.0)
		<u>(715.3)</u>	<u>(799.3)</u>
<b>Non-current liabilities</b>			
Financial liabilities:			
- preference shares	19	(0.3)	(0.3)
		<u>(0.3)</u>	<u>(0.3)</u>
<b>Total liabilities</b>		<b>(715.6)</b>	<b>(799.6)</b>
<b>NET ASSETS</b>		<b>154.6</b>	<b>186.3</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital	20	71.5	71.5
Share premium		1.0	1.0
Other reserves	22	2.0	2.4
Retained earnings		80.1	111.4
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>154.6</b>	<b>186.3</b>

The financial statements on pages 6 were approved by the board of directors on 14 March 2014 and signed on its behalf by:



M Stevens  
Director



P A McLelland  
Director

**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
<b>At 1 January 2012</b>		71.5	1.0	2.8	88.1	163.4
<b>Profit for the year</b>		-	-	-	82.8	82.8
Other comprehensive income:						
- cash flow hedges	12	-	-	(0.4)	-	(0.4)
- tax on other comprehensive income	5	-	-	0.1	-	0.1
<b>Other comprehensive income for the year</b>		-	-	(0.3)	-	(0.3)
<b>Total comprehensive income for the year</b>		-	-	(0.3)	82.8	82.5
Transactions with owners:						
- share-based payment charge	21	-	-	0.4	-	0.4
- transfer of share-based payment reserve		-	-	(0.5)	0.5	-
- dividends	6	-	-	-	(60.0)	(60.0)
<b>At 31 December 2012</b>		71.5	1.0	2.4	111.4	186.3
<b>At 1 January 2013</b>		71.5	1.0	2.4	111.4	186.3
<b>Profit for the year</b>		-	-	-	53.0	53.0
Other comprehensive income:						
- cash flow hedges	12	-	-	0.3	-	0.3
- exchange differences on translation of foreign operations		-	-	-	(0.3)	(0.3)
<b>Other comprehensive income for the year</b>		-	-	0.3	(0.3)	-
<b>Total comprehensive income for the year</b>		-	-	0.3	52.7	53.0
Transactions with owners:						
- share-based payment charge	21	-	-	0.3	-	0.3
- transfer of share-based payment reserve		-	-	(1.0)	1.0	-
- dividends	6	-	-	-	(85.0)	(85.0)
<b>At 31 December 2013</b>		71.5	1.0	2.0	80.1	154.6

Other reserves are further analysed in note 22.

**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**STATEMENT OF CASH FLOWS**

For the year ended 31 December	Note	2013 £m	2012 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	126.3	107.8
Finance costs paid		(46.6)	(52.2)
Finance income received		15.2	14.1
Tax paid		(17.4)	(17.0)
<b>Net cash generated from operating activities</b>		<b>77.5</b>	<b>52.7</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(1.6)	(1.8)
Proceeds from disposal of property, plant and equipment	9	0.6	0.3
<b>Net cash used in investing activities</b>		<b>(1.0)</b>	<b>(1.5)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to company shareholder	6	(85.0)	(60.0)
<b>Net cash used in financing activities</b>		<b>(85.0)</b>	<b>(60.0)</b>
<b>Net decrease in cash, cash equivalents and overdrafts</b>		<b>(8.5)</b>	<b>(8.8)</b>
Cash, cash equivalents and overdrafts at beginning of year		14.1	22.9
<b>Cash, cash equivalents and overdrafts at end of year</b>		<b>5.6</b>	<b>14.1</b>
Cash, cash equivalents and overdrafts at end of year comprise:			
Cash at bank and in hand	16	10.1	15.1
Overdrafts (held in bank and other borrowings)	17	(4.5)	(1.0)
<b>Total cash, cash equivalents and overdrafts</b>		<b>5.6</b>	<b>14.1</b>

**PROVIDENT PERSONAL CREDIT LIMITED**  
**(Company Number 146091)**

**STATEMENT OF ACCOUNTING POLICIES**

**General information**

The company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is No. 1 Godwin Street, Bradford, BD1 2SU.

The principal activity of the company is to provide unsecured home credit loans to customers in the UK and Republic of Ireland.

**Basis of preparation**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of derivative financial instruments to fair value. In preparing the financial statements, the directors are required to use certain critical accounting estimates and are required to exercise judgement in the application of the company's accounting policies.

The company's accounting policies are chosen by the directors to ensure that the financial statements present a true and fair view. All of the company's accounting policies are consistent with the requirements of International Financial Reporting Standards, interpretations issued by the International Financial Reporting Interpretations Committee and UK company law.

**Principal accounting policies**

The company's principal accounting policies under IFRS, which have been consistently applied to all the years presented unless otherwise stated, are set out below.

The following new standards, amendments to standards and interpretations are mandatory and were applied by the company for the first time in the financial year commencing 1 January 2013:

(a) New and amended standards adopted by the company:

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. IFRS 13 has been adopted from its effective date of 1 January 2013. There has been no material impact on the measurement of fair values in the company.

There are no other IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to have had a material impact on the company.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted:

'Offsetting financial assets and financial liabilities (amendments to IAS 32)' clarifies the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial instruments: Presentation'. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to a net settlement. The amendment will be adopted from its effective date of 1 January 2014 and will not have a material impact on the company.

'Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)' are narrow-scope amendments which allow hedge accounting to continue in a situation where a derivative financial instrument, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amendment will be adopted from its effective date of 1 January 2014 and is not expected to have a material impact on the company.

**PROVIDENT PERSONAL CREDIT LIMITED**  
**(Company Number 146091)**

**STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**Principal accounting policies (continued)**

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was originally issued in November 2009, reissued in October 2010, and then amended in November 2013. The current version of IFRS 9 does not include a mandatory effective date. This will be added when all phases of the project are complete and a final version of IFRS 9 is issued. The company continues to assess the updates to the project and will adopt the standard in line with the mandatory effective date when determined, subject to endorsement by the EU.

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

**Revenue**

Revenue comprises interest income earned and represents the charge payable by the customer on the amount of credit advanced by the company. Revenue excludes value added tax.

**Revenue recognition**

Revenue on customer receivables is recognised using an effective interest rate. The effective interest rate is calculated using estimated cash flows, being contractual payments adjusted for the impact of customers repaying early but excluding the anticipated impact of customers paying late or not paying at all. Directly attributable incremental issue costs are also taken into account in calculating the effective interest rate. Interest income continues to be accrued on impaired receivables using the original effective interest rate applied to the loan's carrying value.

**Finance income**

Finance income comprises interest income earned from the parent undertaking on intercompany loans.

**Finance costs**

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

**Foreign currency translation**

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The company operates primarily in the UK and Republic of Ireland. The company's financial statements are presented in sterling, which is the company's functional and presentational currency.

Transactions that are not denominated in the company's functional currency are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the exchange rates ruling at the balance sheet date. Differences arising on translation are charged or credited to the statement of comprehensive income.

If a foreign operation were to be disposed of, the cumulative amount of the exchange differences arising on translation recognised in other comprehensive income would be recognised in the income statement when the gain or loss on disposal is recognised.

**Amounts receivable from customers**

All customer receivables are initially recognised at the amount loaned to the customer plus directly attributable incremental issue costs. After initial recognition, customer receivables are subsequently measured at amortised cost. Amortised cost is the amount of the customer receivable at initial recognition less customer repayments, plus revenue earned calculated using the effective interest rate, less any deduction for impairment.

The company assesses whether there is objective evidence that customer receivables have been impaired at each balance sheet date. The principal criterion for determining whether there is objective evidence of impairment is delinquency in contractual payments.

**PROVIDENT PERSONAL CREDIT LIMITED**  
**(Company Number 146091)**

**STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**Amounts receivable from customers (continued)**

Objective evidence of impairment is based on the payment performance of loans in the previous 12 weeks as this is considered to be the most appropriate indicator of credit quality in the short-term cash loans business. Loans are deemed to be impaired when the cumulative amount of two or more contractual weekly payments have been missed in the previous 12-week period since only at this point do the expected future cash flows from loans deteriorate significantly. Loans with 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.

Impairment charges are deducted directly from the carrying value of receivables.

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

**Property, plant and equipment**

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

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

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

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

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

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

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

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

**Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All current leases held are operating leases. Costs in respect of operating leases are charged to the income statement on a straight line basis over the lease term.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand. Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances.

**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**Borrowings**

Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the expected life of the borrowings using the effective interest rate.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**Derivative financial instruments**

The company uses derivative financial instruments, principally forward contracts, to manage the foreign exchange rate risk arising from the company's underlying business operations. No transactions of a speculative nature are undertaken.

All derivative financial instruments are assessed against the hedge accounting criteria set out in IAS 39, 'Financial instruments: Recognition and measurement'. The company has designated all its derivative financial instruments as hedges of highly probable forecast transactions (cash flow hedges), in line with IAS 39.

The relationship between hedging instruments and hedged items is documented at the inception of a transaction, as well as the risk management objectives and strategy for undertaking various hedging transactions. The assessment of whether the derivative financial instruments used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items is documented, both at the hedge inception and on an ongoing basis.

Derivative financial instruments are initially recognised at their fair value on the date a derivative contract is entered into and are subsequently re-measured at each reporting date to their fair value. Where derivative financial instruments do not qualify for hedge accounting, movements in the fair value are recognised immediately within the income statement.

Where hedge accounting criteria is met for the derivative financial instruments designated and qualifying as cash flow hedges, the effective portion of changes in the fair value of derivative financial instruments are recognised in the hedging reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement as part of finance costs. Amounts deferred in equity are recognised in the income statement when the income or expense on the hedged item is recognised in the income statement.

Hedge accounting is discontinued when:

- it is evident from testing that a derivative financial instrument is not, or has ceased to be, highly effective as a hedge; or
- the derivative financial instrument expires, or is sold, terminated or exercised; or
- the underlying hedged item matures or is sold or repaid.

When a cash flow hedging instrument expires or is sold, or when a cash flow hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss deferred in equity at that time is immediately transferred to the income statement.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 12. Movements on the hedging reserve in shareholder's equity are shown in note 22. The full fair value of a derivative financial instrument is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months from the balance sheet date and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months from the balance sheet date.

**Dividends**

Dividend distributions to the company's shareholder are recognised in the financial statements when approved by the company's board of directors.

**PROVIDENT PERSONAL CREDIT LIMITED**  
**(Company Number 146091)**

**STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**Retirement benefits**

Defined benefit pension schemes:

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

Defined contribution pension schemes:

Cash contributions to defined contribution pension schemes are charged to the income statement on an accruals basis.

**Share-based payments**

Provident Financial plc grants options under employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)) to the company's employees and makes awards under the Performance Share Plan (PSP) and the Long Term Incentive Scheme (LTIS). All of the schemes are equity-settled.

The cost of providing options and awards to the company's employees is charged to the income statement of the company over the vesting period of the related options and awards. The corresponding credit is made to a share-based payment reserve within equity.

The cost of options and awards is based on fair value. For PSP awards, the performance conditions are based on earnings per share (EPS). For LTIS schemes, performance conditions are based on profit before taxation. Accordingly, the fair value of awards under these schemes is determined using a binomial option pricing model which is a suitable model for valuing options with internal related targets such as EPS and profit before taxation. A binomial model is also used for calculating the fair value of SAYE options which have no performance conditions attached. The value of the charge is adjusted at each balance sheet date to reflect lapses and expected and actual levels of vesting, with a corresponding adjustment to the share-based payment reserve.

A transfer is made from the share-based payment reserve to retained earnings on vesting or when options and awards lapse.

**Share capital**

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

**Exceptional 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 company's results.

**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 substantially 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.



**PROVIDENT PERSONAL CREDIT LIMITED**  
**(Company Number 146091)**

**STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**Taxation (continued)**

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.

**Key assumptions and estimates**

In applying the accounting policies set out above, the company makes significant estimates and assumptions that affect the reported amounts of assets and liabilities as follows:

**Amounts receivable from customers**

The company reviews its portfolio of loans and receivables for impairment at each balance sheet date. For the purposes of assessing the impairment of customer loans and receivables, customers are categorised into arrears stages as this is considered to be the most reliable predictor of future payment performance. The company makes judgements to determine whether there is objective evidence which indicates that there has been an adverse effect on expected future cash flows. 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 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 £6.5m (2012: £7.5m) higher/lower.

**PROVIDENT PERSONAL CREDIT LIMITED**  
**(Company Number 146091)**

**FINANCIAL AND CAPITAL RISK MANAGEMENT**

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

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

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

**(a) Credit risk**

Credit risk is the risk that the company will suffer loss in the event of a default by a customer or a bank counterparty. A default occurs when the customer or bank fails to honour repayments as they fall due.

**Amounts receivable from customers**

The company's maximum exposure to credit risk on amounts receivable from customers as at 31 December 2013 is the carrying value of amounts receivable from customers of £645.7m (2012: £746.8m).

Credit risk within the Consumer Credit Division (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 to make a decision on applications for credit.

The loans offered by Home Credit are short-term, typically a contractual period of around a year, with an average value of around £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 visits the customer weekly to collect the weekly payment. The agent is well placed to identify signs of strain on a customer's income and can moderate lending accordingly. Equally, the regular contact and professional relationship that the agent has with the customer allows them to manage customers' repayments effectively even when the household budget is tight. This can be in the form of taking part-payments, allowing missed payments or occasionally restructuring the debt in order to maximise cash collections.

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

Arrears management 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 resolution.

**PROVIDENT PERSONAL CREDIT LIMITED**  
**(Company Number 146091)**

**FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)**

**(a) Credit risk (continued)**

**Bank counterparties**

The company's maximum exposure to credit risk on bank counterparties as at 31 December 2013 was £0.6m (2012: £nil).

Counterparty credit risk arises as a result of cash deposits placed with banks and the use of derivative financial instruments with banks and other financial institutions which are used to hedge interest rate risk and foreign exchange rate risk. Counterparty credit risk is managed by the group's treasury committee and is governed by a board approved counterparty policy which ensures that the group's cash deposits and derivative financial instruments are only made with high quality counterparties with the level of permitted exposure to a counterparty firmly linked to the strength of its credit rating. In addition, there is a maximum exposure limit for all institutions, regardless of credit rating. This is linked to the group's regulatory capital base in line with the group's regulatory reporting requirements on large exposures to the Prudential Regulation Authority (PRA).

**(b) Liquidity risk**

Liquidity risk is the risk that the company will have insufficient liquid resources available to fulfil its operational plans and/or to meet its financial obligations as they fall due.

Liquidity risk is managed by the group's centralised treasury department through daily monitoring of expected cash flows in accordance with a board approved group funding and liquidity policy. This process is monitored regularly by the group treasury committee.

The group's funding and liquidity policy is designed to ensure that the group is able to continue to fund the growth of the business. The group therefore maintains committed borrowing facilities and access to retail deposit funding to meet forecast borrowing requirements, including contractual maturities, at all times for at least the following 12 months. As at 31 December 2013, the group's committed borrowing facilities had a weighted average maturity of 3.2 years (2012: 3.7 years) and the headroom on these committed facilities amounted to £235.2m (2012: £191.9m).

The group is less exposed than other mainstream lenders to liquidity risk as the loans issued by the Consumer Credit Division, the group's largest business, are of short-term duration (typically around one year) whereas the group's borrowings extend over a number of years.

A maturity analysis of the undiscounted contractual cash flows of the group's bank and other borrowings, including derivative financial instruments settled on a net and gross basis, is set out in the annual report of Provident Financial plc.

**(c) Interest rate risk**

Interest rate risk is the risk of a change in external interest rates which leads to an increase in the company's cost of borrowing.

The group's exposure to movements in interest rates is managed by the 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 sterling 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 2013 and 2012 would not have had a material impact on the group's profit before taxation or equity as the group's interest rate risk was substantially hedged. Further details of the interest rate risk management are detailed within the annual report of Provident Financial plc.

**PROVIDENT PERSONAL CREDIT LIMITED**  
**(Company Number 146091)**

**FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)**

**(d) Foreign exchange rate risk**

Foreign exchange rate risk is the risk of a change in foreign currency exchange rates leading to a reduction in profits or equity.

The group's exposure to movements in foreign exchange rates is monitored monthly by the group treasury committee and is governed by a board approved foreign exchange rate risk management policy which forms part of the group's treasury policies.

The group's exposures to foreign exchange rate risk arise solely from: (i) the issuance of US dollar private placement loan notes, which are fully hedged into sterling through the use of cross-currency swaps; and (ii) the company's operations in the Republic of Ireland, which are hedged by matching euro-denominated net assets with euro-denominated borrowings as closely as practicable.

As at 31 December 2013, a 2% movement in the sterling to euro exchange rate would have led to a £1.1m (2012: £1.1m) movement in customer receivables with an opposite movement of £1.1m (2012: £1.1m) in external borrowings. Due to the natural hedging of matching euro-denominated assets with euro-denominated liabilities, there would have been no impact on reported profits or equity (2012: £nil).

**(e) Market risk**

Market risk is the risk of loss due to adverse market movements caused by active trading positions taken in interest rates, foreign exchange markets, bonds and equities. The company's and group's policies do not permit it or the group to undertake position taking or trading books of this type and therefore neither it nor the group does so.

**(f) Capital risk**

Capital risk is managed by the group's centralised treasury department. The group manages capital risk by focussing on capital efficiency and effective risk management. This aims to maintain sufficient, but not excessive, financial strength, optimise the debt to equity structure of the company and support dividend payments to the parent. This takes into account the requirements of a variety of different stakeholders including shareholders, policyholders, regulators and rating agencies. A more detailed explanation of the management of capital risk can be found in the annual report of Provident Financial plc.

**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**NOTES TO THE FINANCIAL STATEMENTS**

1 Revenue	2013	2012
	£m	£m
<b>Interest income</b>	<b>595.2</b>	<b>587.1</b>
2 Finance income	2013	2012
	£m	£m
<b>Interest receivable from parent undertaking</b>	<b>15.2</b>	<b>14.1</b>
3 Finance costs	2013	2012
	£m	£m
Interest payable on bank borrowings	-	1.5
Interest payable to ultimate parent undertaking	46.6	49.8
<b>Total finance costs</b>	<b>46.6</b>	<b>51.3</b>

The preference dividends paid in the year in respect of the preference shares issued in 2002 (coupon rate 5.165%) and 2004 (coupon rate 5.84%) were 0.05p (2012: 0.05p) and 0.06p (2012: 0.06p) per share respectively. The total annual preference dividend cost was £16,443 (2012: £16,443).

4 Profit before taxation	2013	2012
	£m	£m
Profit before taxation is stated after charging:		
Depreciation of property, plant and equipment (note 9)	1.4	1.4
Operating lease rentals:		
- property	0.3	0.3
Employment costs (prior to exceptional redundancy costs (note 8(b)))	73.0	74.4
Exceptional redundancy costs (note 8(b))	8.7	-
Impairment of amounts receivable from customers (note 10)	221.6	179.7

An exceptional cost of £9.6m has been incurred in 2013 relating to the cost of a business restructuring within the company, including redundancy costs of £8.7m associated with a headcount reduction of 410 employees.

Auditor's remuneration payable to Deloitte LLP in respect of the audit of the company's financial statements totalled £29,000 (2012: £28,000). There were no non-audit fees paid in the year (2012: £nil).

**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5 Tax charge**

	2013	2012
	£m	£m
Tax charge in the income statement		
Current tax		
- UK	(14.3)	(24.4)
- Overseas	(0.5)	(0.9)
Deferred tax (note 15)	(0.1)	-
Impact of change in UK tax rate	(0.1)	(0.1)
<b>Total tax charge</b>	<b>(15.0)</b>	<b>(25.4)</b>

The standard rate of UK corporation tax reduced from 24% to 23% with effect from 1 April 2013. Further rate changes were enacted in Finance Act 2013 which will further reduce the rate to 21% from 1 April 2014, and from 21% to 20% with effect from 1 April 2015.

As a result of the change in the UK corporation tax rate, deferred tax balances have been re-measured at 20% on the basis that the temporary differences on which deferred tax balances have been recalculated are expected to reverse after 1 April 2015 (2012: measured at 23%). A tax charge of £0.1m (2012: £0.1m) represents the income statement adjustment to deferred tax as a result of this change.

The rate of tax charge on the profit before taxation for the year is lower than (2012: lower than) the average standard rate of corporation tax in the UK of 23.25% (2012: 24.50%). This can be reconciled as follows:

	2013	2012
	£m	£m
Profit before taxation	68.0	108.2
Profit before taxation multiplied by the average standard rate of corporation tax in the UK of 23.25% (2012: 24.50%)	(15.8)	(26.5)
Effects of:		
- impact of change in UK tax rate	(0.1)	(0.1)
- benefit of lower rates overseas	0.7	1.0
- adjustment in respect of prior years	0.2	0.2
<b>Total tax charge</b>	<b>(15.0)</b>	<b>(25.4)</b>

**6 Dividends**

	2013	2012
	£m	£m
2012 interim - 21.0p per share	-	60.0
2013 interim - 29.7p per share	85.0	-
<b>Dividends paid</b>	<b>85.0</b>	<b>60.0</b>

**PROVIDENT PERSONAL CREDIT LIMITED**  
**(Company Number 146091)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7 Directors' remuneration**

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

The emoluments of C D Gillespie, to the date of his resignation, were paid by the ultimate parent company, Provident Financial plc, and recharged to Provident Financial Management Services Limited. These are included in the aggregate of directors' emoluments disclosed in the financial statements of Provident Financial plc.

During the year, seven directors exercised share options/awards under share incentive schemes (2012: six).

**8 Employee information**

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

	2013 Number	2012 Number
Administrative	657	670
Operations	1,352	1,470
<b>Total</b>	<b>2,009</b>	<b>2,140</b>
Analysed as:		
Full time	1,634	1,762
Part time	375	378
<b>Total</b>	<b>2,009</b>	<b>2,140</b>

(b) Employment costs – all employees

	2013 £m	2012 £m
Aggregate gross wages and salaries paid to the company's employees	55.6	59.5
Employer's National Insurance contributions	5.9	6.2
Pension charge (note 14)	11.2	8.3
Share-based payment charge (note 21)	0.3	0.4
Total employment costs prior to exceptional redundancy costs	73.0	74.4
Exceptional redundancy costs	8.7	-
<b>Total</b>	<b>81.7</b>	<b>74.4</b>

All the above employee information excludes directors whose remuneration is paid by Provident Financial Management Services Limited. These costs are recharged back to the company at the year end.

The pension charge comprises contributions to the defined benefit and stakeholder pension plan (see note 14).

**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9 Property, plant and equipment**

	<u>Equipment and vehicles</u>	
	2013	2012
	£m	£m
<b>Cost</b>		
At 1 January	7.0	6.2
Additions	1.6	1.8
Disposals	(1.4)	(1.1)
Transfer from group undertakings	0.3	0.1
At 31 December	<u>7.5</u>	<u>7.0</u>
<b>Accumulated depreciation</b>		
At 1 January	3.3	2.6
Charged to the income statement	1.4	1.4
Disposals	(0.8)	(0.8)
Transfer from group undertakings	-	0.1
At 31 December	<u>3.9</u>	<u>3.3</u>
<b>Net book value at 31 December</b>	<u>3.6</u>	<u>3.7</u>
<b>Net book value at 1 January</b>	<u>3.7</u>	<u>3.6</u>

The profit on disposal of property, plant and equipment in 2013 amounted to £nil (2012: £nil) and represented proceeds received of £0.6m (2012: £0.3m) less the net book value of disposals of £0.6m (2012: £0.3m).

**10 Amounts receivable from customers**

	<u>2013</u>			<u>2012</u>		
	Due within one year £m	Due in more than one year £m	Total £m	Due within one year £m	Due in more than one year £m	Total £m
<b>Amounts receivable from customers</b>	575.0	70.7	645.7	659.7	87.1	746.8

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows discounted at the effective interest rate. The average effective interest rate for the year ended 31 December 2013 was 109% (2012: 103%).

The average period to maturity of the amounts receivable from customers is 6.0 months (2012: 6.0 months).

The fair value of amounts receivable from customers is approximately £0.9 billion (2012: £1.0 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.



**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10 Amounts receivable from customers (continued)**

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

	2013	2012
	£m	£m
Credit quality of amounts receivable from customers		
Neither past due nor impaired	230.9	258.4
Past due but not impaired	83.7	114.7
Impaired	331.1	373.7
<b>Total</b>	<b>645.7</b>	<b>746.8</b>

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 significantly.

The following table sets out the ageing analysis of past due but not impaired balances based on contractual arrears since the inception of the loan:

	2013	2012
	£m	£m
Ageing analysis of past due but not impaired balances		
One week overdue	53.8	75.7
Two weeks overdue	16.0	16.9
Three weeks or more overdue	13.9	22.1
<b>Past due but not impaired</b>	<b>83.7</b>	<b>114.7</b>

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

An impairment charge of £221.6m (2012: £179.7m) in respect of amounts receivable from customers is reflected within the operating costs for the year.

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

	2013	2012
	£m	£m
Currency profile of amounts receivable from customers		
Sterling	589.5	685.8
Euro	56.2	61.0
<b>Total</b>	<b>645.7</b>	<b>746.8</b>

**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11 Financial instruments**

The following table sets out the carrying value of the company's financial assets and liabilities in accordance with the categories of financial instruments set out in IAS 39. Assets and liabilities outside the scope of IAS 39 are shown within non-financial assets/liabilities:

	2013				
	Loans and receivables £m	Amortised cost £m	Hedging derivatives £m	Non- financial assets/ liabilities £m	Total £m
<b>Assets</b>					
Cash and cash equivalents	10.1	-	-	-	10.1
Amounts receivable from customers	645.7	-	-	-	645.7
Derivative financial instruments	-	-	0.1	-	0.1
Trade and other receivables	209.8	-	-	-	209.8
Property, plant and equipment	-	-	-	3.6	3.6
Deferred tax assets	-	-	-	0.9	0.9
<b>Total assets</b>	<b>865.6</b>	<b>-</b>	<b>0.1</b>	<b>4.5</b>	<b>870.2</b>
<b>Liabilities</b>					
Bank and other borrowings	-	(4.5)	-	-	(4.5)
Trade and other payables	-	(705.8)	-	-	(705.8)
Current tax liabilities	-	-	-	(5.0)	(5.0)
Preference shares	-	-	-	(0.3)	(0.3)
<b>Total liabilities</b>	<b>-</b>	<b>(710.3)</b>	<b>-</b>	<b>(5.3)</b>	<b>(715.6)</b>
	2012				
	Loans and receivables £m	Amortised cost £m	Hedging derivatives £m	Non- financial assets/ liabilities £m	Total £m
<b>Assets</b>					
Cash and cash equivalents	15.1	-	-	-	15.1
Amounts receivable from customers	746.8	-	-	-	746.8
Trade and other receivables	219.2	-	-	-	219.2
Property, plant and equipment	-	-	-	3.7	3.7
Deferred tax assets	-	-	-	1.1	1.1
<b>Total assets</b>	<b>981.1</b>	<b>-</b>	<b>-</b>	<b>4.8</b>	<b>985.9</b>
<b>Liabilities</b>					
Bank and other borrowings	-	(1.0)	-	-	(1.0)
Trade and other payables	-	(789.1)	-	-	(789.1)
Derivative financial instruments	-	-	(0.2)	-	(0.2)
Current tax liabilities	-	-	-	(9.0)	(9.0)
Preference shares	-	-	-	(0.3)	(0.3)
<b>Total liabilities</b>	<b>-</b>	<b>(790.1)</b>	<b>(0.2)</b>	<b>(9.3)</b>	<b>(799.6)</b>

**PROVIDENT PERSONAL CREDIT LIMITED**  
**(Company Number 146091)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12 Derivative financial instruments**

The company uses foreign exchange contracts in order to manage the foreign exchange rate risk arising from the company's operations in the Republic of Ireland. The company does not enter into speculative transactions or positions. An asset of £0.1m is held in the company balance sheet as at 31 December 2013 in respect of foreign exchange contracts (2012: liability of £0.2m).

The company's foreign exchange contracts comprise forward foreign exchange contracts to buy sterling for a total notional amount of £7.1m (2012: £6.1m). These contracts have a range of maturity dates from 18 February 2014 to 16 December 2014 (2012: 12 February 2013 to 15 October 2013). These contracts were designated and were effective under IAS 39 as cash flow hedges in the year and, accordingly, the movement in fair value of £0.3m has been credited to the hedging reserve within equity (2012: charge of £0.4m).

The fair value of derivative financial instruments has been calculated by discounting contractual future cash flows using relevant market interest rate yield curves and foreign exchange rates prevailing at the balance sheet date. Under IFRS 7, 'Financial instruments: Disclosures' these are therefore classed as Level 2 derivatives.

**13 Trade and other receivables**

	2013	2012
	£m	£m
<b>Current assets</b>		
Other receivables	2.3	7.4
Amounts owed by ultimate parent undertaking	0.8	1.2
Amounts owed by parent undertaking	200.9	203.1
Amounts owed by fellow subsidiary undertakings	5.5	7.2
Prepayments and accrued income	0.3	0.3
<b>Total</b>	<b>209.8</b>	<b>219.2</b>

Amounts owed by parent and fellow subsidiary 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 is the carrying value of each class of receivable set out above (2012: carrying value set out above). There is no collateral held in respect of trade and other receivables (2012: £nil). The fair value of trade and other receivables equates to their book value (2012: fair value equated to book value).

**PROVIDENT PERSONAL CREDIT LIMITED**  
**(Company Number 146091)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**14 Retirement benefits**

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

**(a) Pension schemes - defined benefit**

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

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

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

The scheme also provides death benefits.

The scheme is a multi-employer scheme, sponsored by Provident Financial plc and, although the company participates in the scheme, there is no contractual agreement for charging the company a portion of the defined benefit costs of the plan as a whole. In accordance with IAS 19, 'Employee benefits', the company recognises the contributions payable in respect of its current employees in its individual financial statements, similar to the treatment of a defined contribution scheme. In 2013 these contributions amounted to £9.8m (2012: £6.9m). The expected contributions to the defined benefit pension scheme in the year ending 31 December 2014 are approximately £9.1m.

In accordance with IAS 19, the sponsoring company, Provident Financial plc, and the consolidated group, recognises the defined benefit cost and the retirement benefit asset in respect of the Provident Financial Staff Pension Scheme.

The retirement benefit asset reflects the difference between the present value of the group's obligation to current and past employees to provide a defined benefit pension and the fair value of assets held to meet that obligation. As at 31 December 2013, the fair value of the assets exceeded the obligation and hence a net pension asset has been recorded in the group's financial statements.

In participating in a defined benefit scheme, the company is exposed to a number of risks, the most significant of which are as follows:

- investment risk – the liabilities for IAS 19 purposes are calculated using a discount rate set with reference to corporate bond yields. If the assets underperform this yield, this will lead to a deficit. The scheme has a long-term objective to reduce the level of investment risk by investing in assets that better match the liabilities;
- change in bond yields – a decrease in corporate bond yields will increase the liabilities, although this will be partly offset by an increase in matching assets;
- inflation risk – part of the liabilities are linked to inflation. If inflation increases then the liabilities will increase, although this will be partly offset by an increase in the assets. As part of the long-term de-risking strategy, the scheme will further increase its portfolio in inflation matched asset; and
- life expectancies – the scheme's final salary benefits provide pensions for the rest of members' lives (and for their spouses' lives). If members live longer than assumed, then the liabilities in respect of final salary benefits increase.

The most recent actuarial valuation of the scheme was carried out as at 1 June 2012 by a qualified independent actuary. The valuation used for the purposes of IAS 19 'Employee benefits' has been based on the results of the 2012 valuation, updated to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at the balance sheet date. Scheme assets are stated at fair value as at the balance sheet date.

**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**14 Retirement benefits (continued)**

The retirement benefit asset disclosures relating to the group as a whole, as disclosed in the financial statements of Provident Financial plc, are shown below.

From 1 January 2013, the group has mandatorily adopted the revised IAS 19, 'Employee benefits'. The effect of the standard is to require companies to change the assumed expected return on scheme assets used in the calculation of the pension charge from equities and bonds to a much more prudent expected rate of return based on high-quality corporate bond rates relevant to the duration of the plan. The retrospective application results in an increase in the pension charge and, therefore, a reduction in earnings with a corresponding adjustment to the actuarial movement on the retirement benefit asset taken through the consolidated statement of comprehensive income. The associated deferred tax charges/credits taken through the income statement and through the consolidated statement of comprehensive income have also been restated. There is, therefore, no balance sheet impact. The adoption of the revised IAS 19 has resulted in the group's prior year comparatives being restated as set out in the following table:

	2012 (reported) £m	Adjustment £m	Group 2012 (restated) £m
<b>Income statement/statement of comprehensive income</b>			
Retirement benefit charge before exceptional curtailment credit	(4.2)	(2.7)	(6.9)
Exceptional curtailment credit	17.7	-	17.7
Retirement benefit credit	13.5	(2.7)	10.8
Actuarial movements on retirement benefit asset	(14.1)	2.7	(11.4)
<b>Balance sheet</b>			
Retirement benefit asset	23.0	-	23.0
Deferred tax assets	6.1	-	6.1

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

	2013		Group 2012	
	£m	%	£m	%
Equities	237.4	39	249.2	44
Corporate bonds	156.7	25	187.4	33
Index-linked gilts	145.2	24	103.9	18
Cash and money market funds	74.5	12	30.2	5
Total fair value of scheme assets	613.8	100	570.7	100
Present value of funded defined benefit obligations	(584.6)		(547.7)	
<b>Net retirement benefit asset recognised in the balance sheet</b>	<b>29.2</b>		<b>23.0</b>	

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

	Group	
	2013	2012 (restated)
	£m	£m
Fair value of scheme assets at 1 January	570.7	525.0
Interest on scheme assets	25.6	25.6
Actuarial movement on scheme assets	20.1	25.3
Contributions by the group	14.5	10.1
Net benefits paid out	(17.1)	(15.3)
<b>Fair value of scheme assets at 31 December</b>	<b>613.8</b>	<b>570.7</b>

**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**14 Retirement benefits (continued)**

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

	2013	Group 2012 (restated)
	£m	£m
Present value of the defined benefit obligation at 1 January	(547.7)	(511.5)
Current service cost	(7.1)	(7.6)
Interest on scheme liabilities	(24.5)	(24.9)
Exceptional curtailment credit	1.6	17.7
Actuarial movement on scheme liabilities	(24.0)	(36.7)
Net benefits paid out	17.1	15.3
<b>Present value of defined benefit obligation at 31 December</b>	<b>(584.6)</b>	<b>(547.7)</b>

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

	2013	Group 2012
	%	%
Price inflation - RPI	3.40	3.00
Price inflation - CPI	2.40	2.25
Rate of increase to pensions in payment	3.10	2.80
Inflationary increase to pensions in deferment	2.40	2.25
Discount rate	4.40	4.50

**(b) Pension schemes - defined contribution**

The group operates a stakeholder pension plan into which the company contributes a proportion of pensionable earnings of the member (typically ranging between 5.1% and 10.6%) dependent on the proportion of pensionable earnings contributed by the member through a salary sacrifice (typically ranging between 3.0% and 8.0%). The pension charge in the company's income statement of £11.2m (2012: £8.3m) represents contributions payable by the company in respect of the plan and amounted to £1.3m for the year ended 31 December 2013 (2012: £1.4m). No contributions were payable to the fund at the year end (2012: £nil).

The company made no contributions to personal pension plans in the year (2012: £nil).

**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**15 Deferred tax**

Deferred tax is calculated in full on temporary differences under the balance sheet liability method. As a result of the change in rate of UK corporation tax, deferred tax balances have been re-measured at 20% on the basis that temporary differences on which deferred tax balances have been calculated are expected to reverse after 1 April 2015 (2012: measured at 23%). A tax charge in 2013 of £0.1m (2012: £0.1m) represents the income statement adjustment to deferred tax as a result of this change. The movement in the deferred tax asset during the year can be analysed as follows:

	2013	2012
Asset	£m	£m
At 1 January	1.1	1.1
Charge to the income statement (note 5)	(0.1)	-
Credit on other comprehensive income	-	0.1
Impact of change in UK tax rate:		
- charge to the income statement	(0.1)	(0.1)
<b>At 31 December</b>	<b>0.9</b>	<b>1.1</b>

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

	2013			2012		
	Accelerated capital allowances	Other temporary differences	Total	Accelerated capital allowances	Other temporary differences	Total
	£m	£m	£m	£m	£m	£m
At 1 January	0.4	0.7	1.1	0.4	0.7	1.1
Charge to the income statement	-	(0.1)	(0.1)	-	-	-
Credit on other comprehensive income	-	-	-	-	0.1	0.1
Impact of change in UK tax rate:						
- charge to the income statement	-	(0.1)	(0.1)	-	(0.1)	(0.1)
<b>At 31 December</b>	<b>0.4</b>	<b>0.5</b>	<b>0.9</b>	<b>0.4</b>	<b>0.7</b>	<b>1.1</b>

Deferred tax assets have been recognised in respect of all capital allowances and other temporary timing differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

**16 Cash and cash equivalents**

	2013	2012
	£m	£m
<b>Cash at bank and in hand</b>	<b>10.1</b>	<b>15.1</b>

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

	2013	2012
Currency	£m	£m
Sterling	10.0	14.9
Euro	0.1	0.2
<b>Total</b>	<b>10.1</b>	<b>15.1</b>

**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**17 Bank and other borrowings**

**(a) Borrowing facilities and borrowings**

Borrowing facilities principally comprise borrowings from banks and group undertakings, together with overdrafts which are repayable on demand.

As at 31 December 2013, borrowings under these facilities amounted to £4.5m (2012: £1.0m).

**(b) Maturity profile of bank and other borrowings**

The maturity of borrowings, together with the maturity of facilities, is as follows:

	Borrowings	
	2013	2012
	£m	£m
Repayable:		
On demand	4.5	1.0
Included in current liabilities	4.5	1.0
<b>Total</b>	<b>4.5</b>	<b>1.0</b>

The company, together with Provident Financial plc, are permitted borrowers under the bank syndicated facility. As at December 2013, the company had no outstanding borrowings under this facility.

The syndicated facilities of the group as at 31 December 2013 comprised £382.5m maturing in May 2015. Headroom on these committed facilities was £235.2m as at 31 December 2013 (2012: £191.9m). The weighted average period to maturity of these committed facilities was 1.35 years (2012: 2.35 years). On 31 January 2014, the group entered into a new £382.5m syndicated bank facility maturing in May 2017 and cancelled the existing facility due to expire in May 2015. Given that the group manages liquidity risk through the centralised treasury function it is more appropriate to review the borrowings maturity profile and undrawn facilities of the group as disclosed in the annual report of Provident Financial plc.

**18 Trade and other payables**

	2013	2012
	£m	£m
Current liabilities		
Trade payables	0.9	1.0
Amounts owed to ultimate parent undertaking	695.3	778.0
Amounts payable to fellow subsidiaries	-	1.5
Other payables including taxation and social security	2.3	2.7
Accruals	7.3	5.9
<b>Total</b>	<b>705.8</b>	<b>789.1</b>

The fair value of trade and other payables equates to their book value (2012: fair value equated to book value). The amounts owed to ultimate parent and fellow subsidiary undertakings are unsecured, due for repayment in less than one year and generally accrue interest at rates linked to LIBOR.



**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**19 Preference shares**

		2013	2012
		£m	£m
Non-current liabilities		0.3	0.3
<b>Preference shares</b>		<b>0.3</b>	<b>0.3</b>

		2013		2012	
		Authorised	Issued and fully paid	Authorised	Issued and fully paid
<b>Preference shares of 1p each</b>	<b>- £m</b>	0.3	0.3	0.3	0.3
	<b>- number (m)</b>	30.2	30.2	30.2	30.2

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

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

**20 Share capital**

		2013		2012	
		Authorised	Issued and fully paid	Authorised	Issued and fully paid
<b>Ordinary shares of 25p each</b>	<b>- £m</b>	99.8	71.5	99.8	71.5
	<b>- number (m)</b>	399.3	286.2	399.3	286.2

There are no shares issued and not fully paid at the end of the year (2012: no shares).

**21 Share-based payments**

Provident Financial plc operates four share schemes: the Long Term Incentive Scheme (LTIS), employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)), senior executive share option schemes (ESOS/SESO) and the Performance Share Plan (PSP) where shares in the parent company are available to the employees of the company. During 2013, awards/options have been granted under the LTIS and SAYE schemes only (2012: options granted under the SAYE scheme only). The charge to the income statement during the year was £0.3m (2012: £0.4m) based on the awards/options granted to the company's employees. The assumptions to consider the appropriate fair values of options are outlined below:

	2013		2012
	LTIS	SAYE	SAYE
Grant date	01-Mar-13	23-Aug-13	28-Sep-12
Share price at grant date (£)	15.01	17.15	13.75
Exercise price (£)	-	13.05	10.56
Shares awarded/under option	9,747	98,347	156,598
Vesting period (years)	3	3 and 5	3 and 5
Expected volatility	23.9%	23.7% to 27.2%	24.3% to 30.9%
Option life (years)	3	Up to 5	Up to 5
Expected life (years)	3	Up to 5	Up to 5
Risk-free rate	0.67%	0.88% to 1.64%	0.30% to 0.69%
Expected dividends expressed as a dividend yield	n/a	5.00%	5.80%
Fair value per award/option (£)	15.01	3.37 to 3.72	2.18 to 2.51

The expected volatility is based on historical volatility over the last three or five years as applicable. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero coupon UK government bonds.

**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**21 Share-based payments (continued)**

A reconciliation of share option movements during the year is shown below:

	LTIS		SAYE	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
<b>2013</b>				
Outstanding at 1 January	60,586	-	691,800	7.98
Granted	9,747	-	98,347	13.05
Lapsed	(19,744)	-	(66,046)	8.73
Exercised	(40,212)	-	(195,079)	6.69
Transferred	-	-	(22,839)	-
<b>Outstanding at 31 December</b>	<b>10,377</b>	<b>-</b>	<b>506,183</b>	<b>9.42</b>
<b>Exercisable at 31 December</b>	<b>-</b>	<b>-</b>	<b>13,485</b>	<b>6.92</b>

	LTIS		SAYE	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
<b>2012</b>				
Outstanding at 1 January	116,747	-	821,075	6.94
Granted	-	-	156,598	10.56
Lapsed	(32,705)	-	(69,137)	7.33
Exercised	(23,456)	-	(199,320)	6.58
Transferred	-	-	(17,416)	-
<b>Outstanding at 31 December</b>	<b>60,586</b>	<b>-</b>	<b>691,800</b>	<b>7.98</b>
<b>Exercisable at 31 December</b>	<b>-</b>	<b>-</b>	<b>29,371</b>	<b>6.65</b>

Share awards outstanding under the LTIS scheme at 31 December 2013 had an exercise price of £nil (2012: £nil) and a weighted average remaining contractual life of 0.2 years (2012: 0.4 years). Share options outstanding under the SAYE schemes at 31 December 2013 had a range of exercise prices from 491p to 1,305p (2012: 491p to 1,056p) and a weighted average remaining contractual life of 1.9 years (2012: 2.2 years).

There were no share options outstanding under the ESOS/SESO or PSP schemes as 31 December 2013.

The transfer of options in 2013 and 2012 occurred due to an intercompany transfer between Provident Personal Credit Limited, Provident Financial Management Services Limited and Greenwood Personal Credit Limited. In line with IFRS 2: 'Share-based payment', the charge has remained in the company which benefitted from the employee's service.

**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**22 Other reserves**

	Share-based payment reserve £m	Hedging reserve £m	Total other reserves £m
At 1 January 2012	2.7	0.1	2.8
Other comprehensive income:			
- cash flow hedges	-	(0.4)	(0.4)
- tax on other comprehensive income	-	0.1	0.1
Other comprehensive income for the year	-	(0.3)	(0.3)
Transaction with owners:			
- share-based payment charge	0.4	-	0.4
- transfer of share-based payment reserve	(0.5)	-	(0.5)
<b>At 31 December 2012</b>	<b>2.6</b>	<b>(0.2)</b>	<b>2.4</b>
At 1 January 2013	2.6	(0.2)	2.4
Other comprehensive income:			
- cash flow hedges	-	0.3	0.3
Other comprehensive income for the year	-	0.3	0.3
Transaction with owners:			
- share-based payment charge	0.3	-	0.3
- transfer of share-based payment reserve	(1.0)	-	(1.0)
<b>At 31 December 2013</b>	<b>1.9</b>	<b>0.1</b>	<b>2.0</b>

**23 Commitments**

Commitments under operating leases are as follows:

	2013 £m	2012 £m
Due within one year	0.3	0.3
Due between one and five years	0.5	0.5
Due in more than five years	0.1	0.2
<b>Total</b>	<b>0.9</b>	<b>1.0</b>

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

**24 Related party transactions**

Details of the transactions between the company and other group undertakings, which comprise management recharges and interest charges or credits on intra-group balances, along with any balances outstanding at 31 December 2013 are set out below:

	2013			2012		
	Management recharge	Interest charge	Outstanding balance	Management recharge	Interest charge	Outstanding balance
	£m	£m	£m	£m	£m	£m
Ultimate parent undertaking	-	46.6	(694.5)	-	49.8	(776.9)
Immediate parent undertaking	66.4	(15.2)	200.9	63.9	(14.1)	203.1
Other subsidiaries of the immediate parent undertaking	(5.1)	-	5.5	(5.8)	-	5.8
<b>Total</b>	<b>61.3</b>	<b>31.4</b>	<b>(488.1)</b>	<b>58.1</b>	<b>35.7</b>	<b>(568.0)</b>

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

**PROVIDENT PERSONAL CREDIT LIMITED**  
(Company Number 146091)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**25 Contingent liabilities**

The company is a guarantor in respect of: (i) borrowings made by the company's ultimate parent undertaking; and (ii) guarantees given by the company's ultimate parent undertaking in respect of borrowings of certain of its subsidiaries to a maximum of £1,095.3m (2012: £1,074.7m). At 31 December 2013, the borrowings amounted to £838.6m (2012: £869.4m). No loss is expected to arise.

**26 Reconciliation of profit after taxation to cash generated from operations**

	Note	2013 £m	2012 £m
Profit after taxation		53.0	82.8
Adjusted for:			
- tax charge	5	15.0	25.4
- finance income	2	(15.2)	(14.1)
- finance costs	3	46.6	51.3
- share-based payment charge	21	0.3	0.4
- depreciation of property, plant and equipment	9	1.4	1.4
Changes in operating assets and liabilities:			
- amounts receivable from customers		101.1	1.9
- trade and other receivables		9.4	(10.3)
- trade and other payables		(85.3)	(31.0)
<b>Cash generated from operations</b>		<b>126.3</b>	<b>107.8</b>

**27 Parent undertaking and controlling party**

The immediate parent undertaking is Provident Financial Management Services Limited.

The ultimate parent undertaking and controlling party is Provident Financial plc, a company incorporated in the United Kingdom, which is the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of Provident Financial plc may be obtained from the Company Secretary, Provident Financial plc, No. 1 Godwin Street, Bradford, BD1 2SU.