**Provident Financial plc**
**Results for the year ended 31 December 2008**

## 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 Republic of Ireland, with a successful, developing credit card business. Its primary operations consist of the Consumer Credit Division, comprising Home Credit and Real Personal Finance, and Vanquis Bank.

**Key financial results**

| | 2008 | 2007 | Change |
|---|---|---|---|
| Consumer Credit Division and Vanquis Bank: | | | |
| Customer numbers | 2.17m | 1.97m | +10.2% |
| Average receivables | £890.2m | £756.4m | +17.7% |
| Profit before tax from continuing operations | £128.8m | £115.2m | +11.8% |
| Earnings per share from continuing operations: | | | |
| Basic | 70.9p | 40.9p | |
| Adjusted basic – note 5 | 70.9p | 63.5p | +11.7% |
| Final dividend per share | 38.1p | 38.1p | |
| Total dividend per share | 63.5p | 63.5p | |

**Highlights**

- Profit before tax from continuing operations up strongly by 11.8% to £128.8m (2007: £115.2m).
- Headroom on committed funding facilities of over £250m.
- £213.2m of bank facilities maturing in March 2010 extended to March 2011.
- Full year dividend maintained at 63.5p (2007: 63.5p).

Consumer Credit Division
- Continued, carefully managed growth in customer numbers, up by 6.8% from December 2007.
- Stable impairment at 30.4% of revenue (2007: 29.7%).
- Real Personal Finance market test progressing well.
- Divisional profit before tax up 2.1% to £126.1m (2007: £123.5m) after absorbing higher early settlement rebates and further investment.

Vanquis Bank
- Maiden full year profit before tax of £8.0m (2007: loss of £0.9m).
- Stable impairment at 40.4% of revenue (2007: 39.7%).
- Customer numbers up 27.8% and average receivables up 47.5% on December 2007, reflecting cautiously executed customer development programme.
- Growth achieved notwithstanding significant tightening of underwriting and credit line increase criteria.

**Peter Crook, Chief Executive of Provident Financial, commented:**

"I am pleased to report results in line with expectations. The group has delivered high quality growth and a stable impairment performance in a difficult economic environment. We adopt a straightforward approach to lending with a strong focus on customer affordability in each of our businesses. Over a long period of time, this has proved to be the right formula and especially so during these turbulent times.

Despite operating in an increasingly under-served market where demand for our products is high, we have deliberately constrained customer growth to levels which are consistent with lending responsibly in the current environment as well as maintaining the appropriate balance between growth, credit quality and collections capacity. We maintain a uniquely close contact with our customers to ensure that we remain in touch with their current circumstances and can respond quickly to any changes.

The group has a strong balance sheet and has recently further strengthened its funding position. It has committed facilities of £1.1bn which provide headroom of over £250m with no scheduled maturities during 2009.

Despite the challenging economic background, Provident Financial remains very well placed to deliver further high quality growth in 2009."


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## Chairman's statement

Provident Financial's straightforward approach to lending, with a strong focus on customer affordability, has proved over a long period of time to be a sound formula in addressing the UK non-standard credit market. The strength of the lending model combined with a strong funding position and good management, has seen the group make excellent progress during 2008 in pursuing its strategy to consolidate its position as the UK's leading non-standard lender.

### Summary of group results

The group has delivered excellent results for 2008, despite a turbulent year for the economy. Customer numbers have grown in line with our internal plans, whilst arrears and impairment levels have remained stable throughout the year. Profit before tax from continuing operations was up 11.8% to £128.8m (2007: £115.2m), including a first full year profit before tax from Vanquis Bank of £8.0m (2007: loss of £0.9m). Adjusted earnings per share were up 11.7% to 70.9p (2007: 63.5p).

Although the group's businesses have a number of features which make them more resilient than other lenders through difficult economic conditions, this strong performance is also the result of decisive management actions. In particular, the group has adopted an increasingly cautious approach to new lending for almost two years against the backdrop of rising inflation eroding consumers' incomes and management's view that the economy would experience a marked deterioration. These actions have maintained credit quality as evidenced by the stable arrears profile, delivered an appropriate balance between growth and collections capacity as well as reinforcing the group's responsible lending policy.

The businesses continue to benefit from the ongoing investment in credit management, new marketing and distribution channels and technology. During 2008, a new core accounting platform, an enhanced agent commission scheme and further refinements to the credit scorecard were all rolled-out across the home credit branch network. Vanquis Bank moved to larger premises and also completed a major upgrade to its IT platform, positioning the business for further growth. These major changes were completed ahead of plan and leave both businesses with a clear focus on collections and arrears management during the early part of 2009.

The final dividend is maintained at 38.1p per share (2007: 38.1p) reflecting the company's policy set out at the time of the demerger to at least maintain a full year payment of 63.5p per share whilst moving to a target payout ratio of 80% of post-tax profit in the medium-term.

The group has a strong balance sheet and has recently strengthened its funding position through the successful extension of £213.2m of bank facilities maturing in March 2010 by twelve months. It has committed facilities of £1.1bn which provide headroom of over £250m with no scheduled maturities during 2009.

### Market conditions

The UK non-standard lending market in which Provident Financial participates became increasingly under-served during 2008. Many near-prime and non-standard unsecured lenders and credit card issuers have heavily constrained their lending or have withdrawn from this market altogether. Whilst these favourable competitive conditions present a significant opportunity for Provident Financial by increasing demand for its products, a more important influence on the group's lending decisions during 2008 was the sustained pressure from price inflation on UK households with below average incomes and the broader deterioration in the economy.

The impact of inflation on essential household items such as food, fuel and utility bills over the past two years has been more pronounced for Provident Financial customers than for most UK consumers. This

pressure, together with management's view that the broader economy would experience a marked deterioration, has resulted in the group maintaining a cautious approach to lending since the middle of 2007 as evidenced by the progressive tightening of underwriting to maintain the quality of its receivables portfolios. This greater selectivity has resulted in an increased proportion of applicants being declined in both businesses. A cautious approach to growth will be maintained through 2009.

Whilst the outlook for inflation now appears to be easing, the prolonged effect of the utility price increases from 2008, combined with the certain rise in unemployment during 2009, continues to place pressure on household budgets. However, the group's businesses have a number of inherent strengths which lessen the impact of the current environment on arrears and impairment in comparison to other lenders.

Firstly, the vast majority of the group's customers have limited access to other forms of credit, which means that they have not typically developed significant levels of personal indebtedness. For example, only around 12% of home credit customers and a quarter of Vanquis Bank customers have mortgages. This means that these customers are better able to afford their repayments despite volatility in their income.

Secondly, the small-sum, short-term nature of the group's home credit loans means that the vast majority of loans have been written by agents, face-to-face, within the last six months based on an up to date knowledge of the customers' household income. That income often arises from a number of different sources which provides a degree of resilience, particularly during difficult economic times, and the weekly home collection visit ensures the agents' knowledge is kept up to date.

Finally, Vanquis Bank, which is a central underwriter using highly bespoke credit scorecards, rechecks its customers' external credit data every month, even if a customer's account is fully up to date. This allows emerging signs of credit stress to be detected early and proactively managed, including reducing undrawn credit lines where appropriate. In contrast with mainstream card issuers, Vanquis Bank also maintains sufficient call centre resource to allow it to contact all customers who fall into arrears immediately, so as to identify issues quickly and return accounts to order as soon as possible before arrears escalate.

Outlook

Provident Financial continues to experience significant demand for its products from an increasingly under-served non-standard credit market. The group's increasingly cautious approach to lending over a period of nearly two years has been fundamental to maintaining an appropriate balance between growth, credit quality and collections capacity and will continue through 2009 in order to deliver another year of high quality growth.

John van Kuffeler
Chairman
3 March 2009

**Financial results**

Consumer Credit Division

| | Year ended 31 December | | |
|---|---|---|---|
| | 2008 | 2007 | Change |
| | £m | £m | % |
| Customers numbers ('000) | 1,762 | 1,650 | 6.8 |
| Average customer receivables | 712.7 | 636.1 | 12.0 |
| Revenue | 651.8 | 590.5 | 10.4 |
| Impairment | (197.9) | (175.3) | (12.9) |
| Revenue less impairment | 453.9 | 415.2 | 9.3 |
| *Impairment % revenue* (%)* | *30.4%* | *29.7%* | |
| Costs | (291.2) | (256.7) | (13.4) |
| Interest | (36.6) | (35.0) | (4.6) |
| Profit before tax | 126.1 | 123.5 | 2.1 |

** Impairment as a proportion of revenue for the 12 months ended 31 December.*

The Consumer Credit Division has performed well in 2008 with profit before tax rising by 2.1% to £126.1m (2007: £123.5m). Despite high levels of demand for home credit, the business has applied greater selectivity to accepting new customers and a cautious approach to re-serving existing customers in order to maintain an appropriate balance between the rate of customer growth, field collections capacity and the quality of the receivables book. This strategy has also reinforced the business's responsible lending policy. As a consequence, growth in year end customer numbers of 6.8% was at a similar rate to that reported at the half-year.

Average receivables grew by 12.0%, of which 1.2% was attributable to Real Personal Finance, the market test of direct repayment loans, and 10.8% to home collected credit. Receivables growth exceeded customer growth due to the growth in the number of higher quality, re-servable customers, and a focus on the development of existing customers. The issue of longer term loans contributed very little to overall growth because of the greater emphasis on shorter term products which, in difficult times, carry less risk and allow agents to reassess affordability more regularly.

Revenue growth of 10.4% was slightly lower than the rate of receivables growth. This is primarily a result of the anticipated impact from the implementation of the Competition Commission's remedy to offer customers more generous early settlement rebates on new loans granted after 13 December 2007.

Impairment levels remained in line with plan throughout the year and at 30.4% of revenue were unchanged from the half-year. The increase from 29.7% at the end of 2007 reflects a small degree of strain from increased numbers of new customers who are inherently riskier than established customers. This stable performance has been delivered through a period of price inflation, which has adversely affected customers' disposable incomes, and a weakening of the economy. It demonstrates the benefits of the consistently cautious approach to lending coupled with the investment in improved credit application and behavioural scoring systems over the past two years.

The environment is expected to remain difficult throughout 2009. Approximately 80 additional branch based managers have been recruited in recent months to reinforce spans of control over collections and

arrears management throughout the field organisation. Similarly, the area and regional management structures are receiving investment which includes creating 21 new branches to enhance effectiveness and add capacity.

Total costs rose faster than revenue, up 13.4% in line with internal plans. Agents' commission represents approximately 40% of the divisional cost base and grew in line with activity levels. Other costs increased at a higher rate as a result of the roll-out of the Focus accounting platform across the branch network, training and other costs relating to the implementation of the revised agent commission scheme, and the deployment of Real Personal Finance in 50 branch locations.

Real Personal Finance continues to perform in line with expectations. Its receivables book was £18m at the end of 2008 with credit quality developing as expected. The business will continue to grow the loan book from the current 50 locations and, as previously reported, the board will review the progress of the business during the second quarter of the year before setting the pace and scale of a national roll-out.

Vanquis Bank

| | Year ended 31 December | | |
|---|---|---|---|
| | 2008 | 2007 | Change |
| | £m | £m | % |
| Customers numbers ('000) | 404 | 316 | 27.8 |
| Average customer receivables | 177.5 | 120.3 | 47.5 |
| Revenue | 94.6 | 63.5 | 49.0 |
| Impairment | (38.2) | (25.2) | (51.6) |
| Revenue less impairment | 56.4 | 38.3 | 47.3 |
| *Impairment % revenue* (%)* | *40.4%* | *39.7%* | |
| Costs | (39.4) | (33.2) | (18.7) |
| Interest | (9.0) | (6.0) | (50.0) |
| Profit/(loss) before tax | 8.0 | (0.9) | n/a |

** Impairment as a proportion of revenue for the 12 months ended 31 December.*

Vanquis Bank has made strong progress in 2008 towards its medium-term targets. The segment of the non-standard lending market in which the business operates has become increasingly under-served at a time of rising demand. Consequently, Vanquis Bank received nearly a million new credit applications during 2008. However, less than 20% of these were accepted, reflecting the group's cautious approach to growth. The underwriting criteria for accepting new customers and the rate at which credit lines are increased to existing customers have been tightened progressively since the middle of 2007.

New customers continue to start on relatively low credit lines of typically £250, which increase gradually over time if the customer exhibits appropriate behaviours. This "low and grow" approach resulted in customer receivables increasing at a faster rate than customer number growth, with average receivables rising by 47.5% to £177.5m (2007: £120.3m). Revenue grew at a similar rate as the yield on the loan book was maintained.

The profile of customer arrears has remained stable. The impairment charge, measured as a percentage of revenue, ended the year at 40.4% (2007: 39.7%). The enhancements made to the collection processes within

the contact centre introduced during 2008, combined with a cautious approach to growing the business have produced this strong result.

The business continues to benefit from increased scale and operational leverage, with costs rising at a significantly lower rate than revenue. The full year cost increase of 18.7% comprised 15.7% in the first half increasing to 21.7% in the second half following the move to a larger contact centre in August 2008 and a major upgrade of the IT infrastructure.

During 2008, new agreements were negotiated with two of Vanquis Bank's key operational partners which have reduced unit costs. These gains reflect the bank's status as a profitable and growing business.

Overall the business reported its first full year profit of £8.0m in 2008 (2007: loss of £0.9m). This represents a total improvement of £26.3m in its profitability over the last two years. Vanquis Bank remains on track to deliver a post-tax return on equity of 30% in the medium-term in line with previously issued guidance.

Yes Car Credit

The collect-out of the Yes Car Credit receivables continues to progress well. At the end of 2008, the receivables book stood at £5.8m, down from £33.3m at the end of 2007. As expected, the business incurred a loss before tax of £2.9m in 2008 (2007: loss of £2.9m). The completion of the collect-out of the receivables book and the closure of the operation is expected towards the end of 2009.

Central costs

Central costs of £5.5m in 2008 were £1.0m lower than in 2007 following the demerger of International Personal Finance plc in July 2007. Central interest receivable was £3.1m (2007: £2.0m), reflecting the surplus capital currently held by the group.

Taxation

The tax rate for 2008 was 28.5% (2007: 29.9%), consistent with the statutory UK corporation tax rate which reduced to 28.0% in April 2008.

Balance sheet

Net assets as at 31 December 2008 were £277.9m. The level of gearing (calculated to exclude the pension scheme asset and the fair value of derivatives, as required under our funding facilities) stood at 3.2 times, compared to the relevant borrowings covenant of 6.0 times. The reported level of capital adequacy stood at 419% of the Pillar I requirement, comfortably in excess of the guidance set by the FSA.

Funding and capital

The group remains strongly funded with around £55m of excess equity capital against its target capital structure and over £250m of undrawn committed debt facilities at the year end. In keeping with its prudent approach to liquidity management, the group has recently extended the maturity of £213.2m of the group's syndicated facilities from March 2010 to March 2011 and has no scheduled maturities during 2009. Accordingly, the group is able to execute in full on its internal growth plans. The group's average cost of borrowing in 2009 will be 6.9%, up from 6.5% in 2008.

**Consolidated income statement for the year ended 31 December 2008**

| | Notes | 2008 £m | 2007 £m |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 2 | 751.2 | 669.2 |
| Finance costs | | (45.7) | (42.1) |
| Operating costs | | (379.3) | (342.4) |
| Administrative expenses | | (197.4) | (169.5) |
| **Total costs** | | (622.4) | (554.0) |
| **Profit before taxation** | 2 | 128.8 | 115.2 |
| Tax charge | 3 | (36.7) | (34.5) |
| **Profit after taxation for the year from continuing operations** | | 92.1 | 80.7 |
| | | | |
| **Discontinued operations** | | | |
| Profit after taxation for the year from discontinued operations | 4 | - | 57.7 |
| **Profit for the year attributable to equity shareholders** | 9 | 92.1 | 138.4 |

| | Notes | 2008 | 2007 |
|---|---|---|---|
| **Earnings per share from continuing operations** | | | |
| Basic | 5 | 70.9p | 40.9p |
| Diluted | 5 | 70.5p | 40.5p |
| | | | |
| **Earnings per share attributable to equity shareholders** | | | |
| Basic | 5 | 70.9p | 70.1p |
| Diluted | 5 | 70.5p | 69.4p |
| | | | |
| **Dividends per share** | | | |
| Proposed final dividend | 6 | 38.1p | 38.1p |
| Total dividend in respect of the year | 6 | 63.5p | 63.5p |
| Paid in the year* | 6 | 63.5p | 47.4p |

* The total cost of dividends paid in the year was £83.4m (2007: £89.4m)

**Consolidated statement of recognised income and expense for the year ended 31 December 2008**

| | Notes | 2008 £m | 2007 £m |
|---|---|---|---|
| **Profit for the year attributable to equity shareholders** | 9 | 92.1 | 138.4 |
| Cash flow hedges: | | | |
| - net fair value (losses)/gains | | (17.3) | 1.7 |
| - recycled and reported in profit for the year | | - | 2.8 |
| Actuarial (losses)/gains on retirement benefit asset | 8 | (17.1) | 46.3 |
| Tax credit/(charge) on items taken directly to equity | 3 | 9.7 | (15.2) |
| Impact of change in UK tax rate | 3 | - | 0.8 |
| Net (expense)/income recognised directly in equity | 9 | (24.7) | 36.4 |
| **Total recognised income for the year attributable to equity shareholders** | 9 | 67.4 | 174.8 |

**Consolidated balance sheet as at 31 December 2008**

| | Notes | 2008 £m | 2007 £m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | | 3.1 | 3.1 |
| Other intangible assets | | 17.1 | 12.6 |
| Property, plant and equipment | | 28.6 | 28.7 |
| Financial assets: | | | |
| - amounts receivable from customers | 7 | 83.7 | 71.8 |
| - derivative financial instruments | | 28.9 | - |
| Retirement benefit asset | 8 | 50.9 | 61.5 |
| | | 212.3 | 177.7 |
| **Current assets** | | | |
| Financial assets: | | | |
| - amounts receivable from customers | 7 | 979.6 | 853.6 |
| - derivative financial instruments | | - | 0.7 |
| - cash and cash equivalents | | 19.5 | 23.4 |
| - trade and other receivables | | 15.1 | 19.9 |
| | | 1,014.2 | 897.6 |
| **Total assets** | | 1,226.5 | 1,075.3 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Financial liabilities: | | | |
| - bank and other borrowings | | (4.0) | (41.0) |
| - derivative financial instruments | | (4.7) | (12.5) |
| - trade and other payables | | (64.0) | (70.1) |
| Current tax liabilities | | (32.8) | (29.9) |
| Provisions | | (0.8) | (0.8) |
| | | (106.3) | (154.3) |
| **Non-current liabilities** | | | |
| Financial liabilities: | | | |
| - bank and other borrowings | | (824.5) | (592.7) |
| - derivative financial instruments | | (16.1) | (24.3) |
| Provisions | | (1.2) | (2.0) |
| Deferred tax liabilities | | (0.5) | (6.1) |
| | | (842.3) | (625.1) |
| **Total liabilities** | | (948.6) | (779.4) |
| **NET ASSETS** | 2 | 277.9 | 295.9 |
| **SHAREHOLDERS' EQUITY** | | | |
| Called-up share capital | 9 | 27.3 | 27.2 |
| Share premium account | 9 | 134.6 | 132.7 |
| Other reserves | 9 | (16.3) | 0.1 |
| Retained earnings | 9 | 132.3 | 135.9 |
| **TOTAL EQUITY** | 9 | 277.9 | 295.9 |

**Consolidated cash flow statement for the year ended 31 December 2008**

| | Notes | 2008 £m | 2007 £m |
|---|---|---|---|
| **Cash flows from continuing operations** | | | |
| Cash generated from continuing operations | | 40.9 | 141.9 |
| Finance costs paid | | (44.1) | (42.3) |
| Tax paid | | (29.7) | (15.2) |
| **Net cash (used in)/generated from continuing operating activities** | | (32.9) | 84.4 |
| Net cash used in discontinued operating activities | | - | (49.1) |
| **Net cash (used in)/generated from operating activities** | | (32.9) | 35.3 |
| | | | |
| **Cash flows from investing activities in continuing operations** | | | |
| Purchases of intangible assets | | (6.2) | (3.0) |
| Purchases of property, plant and equipment | | (8.5) | (10.1) |
| Proceeds from sale of property, plant and equipment | | 0.8 | 1.7 |
| **Net cash used in investing activities in continuing operations** | | (13.9) | (11.4) |
| Net cash used in investing activities in discontinued operations | | - | (242.0) |
| **Net cash used in investing activities** | | (13.9) | (253.4) |
| | | | |
| **Cash flows from financing activities in continuing operations** | | | |
| Proceeds from borrowings | | 191.0 | 332.0 |
| Repayment of borrowings | | (51.8) | (332.7) |
| Dividends paid to company shareholders | 6 | (83.4) | (89.4) |
| Proceeds from issue of share capital | | 2.0 | 22.6 |
| Purchase of own shares | 9 | (8.7) | (6.5) |
| Proceeds from vesting of shares | 9 | - | 2.1 |
| **Net cash generated from/(used in) financing activities in continuing operations** | | 49.1 | (71.9) |
| Net cash used in financing activities in discontinued operations | | - | (126.9) |
| **Net cash generated from/(used in) financing activities** | | 49.1 | (198.8) |
| | | | |
| **Net increase in cash and cash equivalents in continuing operations** | | 2.3 | 1.1 |
| Net decrease in cash and cash equivalents in discontinued operations | | - | (418.0) |
| **Net increase/(decrease) in cash and cash equivalents** | | 2.3 | (416.9) |
| Cash and cash equivalents at beginning of year | | 14.6 | 431.6 |
| Exchange losses on cash and cash equivalents – discontinued operations | | - | (0.1) |
| **Cash and cash equivalents at end of year** | | 16.9 | 14.6 |
| | | | |
| **Cash and cash equivalents at end of year comprise:** | | | |
| Cash at bank and in hand | | 19.5 | 23.4 |
| Overdrafts (held in bank and other borrowings) | | (2.6) | (8.8) |
| **Total cash and cash equivalents** | | 16.9 | 14.6 |

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

| | 2008 £m | 2007 £m |
|---|---|---|
| **Profit after taxation from continuing operations** | 92.1 | 80.7 |
| Adjusted for: | | |
| Tax charge | 36.7 | 34.5 |
| Finance costs | 45.7 | 42.1 |
| Share-based payment charge | 4.7 | 1.6 |
| Retirement benefit (credit)/charge (note 8) | (1.2) | 0.4 |
| Amortisation of intangible assets | 1.7 | 0.5 |
| Depreciation of property, plant and equipment | 7.5 | 5.6 |
| Loss/(profit) on disposal of property, plant and equipment | 0.3 | (0.1) |
| Changes in operating assets and liabilities: | | |
| Amounts receivable from customers | (137.9) | (23.7) |
| Trade and other receivables | 3.6 | (2.1) |
| Trade and other payables | (6.5) | 4.5 |
| Retirement benefit asset | (5.3) | (3.6) |
| Derivative financial instruments | 0.3 | 0.5 |
| Provisions | (0.8) | 1.0 |
| **Cash generated from continuing operations** | 40.9 | 141.9 |

**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 2008 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 2007 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 2008, 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 | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| **Continuing operations** | £m | £m | £m | £m |
| Consumer Credit Division | 651.8 | 590.5 | 126.1 | 123.5 |
| Vanquis Bank | 94.6 | 63.5 | 8.0 | (0.9) |
| Yes Car Credit | 4.8 | 15.2 | (2.9) | (2.9) |
| | 751.2 | 669.2 | 131.2 | 119.7 |
| Central: | | | | |
| - costs | - | - | (5.5) | (6.5) |
| - interest receivable | - | - | 3.1 | 2.0 |
| Total central | - | - | (2.4) | (4.5) |
| **Total continuing operations** | 751.2 | 669.2 | 128.8 | 115.2 |

All of the above activities relate to continuing operations as defined in IFRS 5 'Non-current assets held-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 operate in the UK and Republic of Ireland.

| | Net assets/(liabilities) | |
|---|---|---|
| | 2008 | 2007 |
| | £m | £m |
| **Continuing operations** | | |
| Consumer Credit Division | 230.1 | 209.6 |
| Vanquis Bank | 40.8 | 28.6 |
| Yes Car Credit | (40.2) | (41.9) |
| Central | 47.2 | 99.6 |
| **Total group** | 277.9 | 295.9 |

## 3. Tax charge

The tax charge to the income statement is as follows:

| | 2008 £m | 2007 £m |
|---|---|---|
| **Continuing operations** | | |
| Current tax | 32.6 | 30.6 |
| Deferred tax | 4.1 | 3.6 |
| Impact of change in UK tax rate | - | 0.3 |
| **Total continuing operations** | 36.7 | 34.5 |

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

| | 2008 £m | 2007 £m |
|---|---|---|
| Current tax (credit)/charge on net fair value (losses)/gains – cash flow hedges | (4.9) | 1.3 |
| Deferred tax (credit)/charge on actuarial (losses)/gains on retirement benefit asset | (4.8) | 13.9 |
| | (9.7) | 15.2 |
| Impact of change in UK tax rate | - | (0.8) |
| **Total tax (credit)/charge on items taken directly to equity** | (9.7) | 14.4 |

The standard rate of UK corporation tax reduced from 30.0% to 28.0% with effect from 1 April 2008. The rate of tax charge on the profit before taxation from continuing operations for the year is in line with (2007: lower than) the average standard rate of corporation tax in the UK of 28.5% (2007: 30.0%). The differences are explained as follows:

| | 2008 £m | 2007 £m |
|---|---|---|
| **Profit before taxation from continuing operations** | 128.8 | 115.2 |
| Profit before taxation from continuing operations multiplied by the average standard rate of corporation tax in the UK of 28.5% (2007: 30.0%) | 36.7 | 34.6 |
| Effects of: | | |
| Adjustment in respect of prior years | (0.1) | (0.5) |
| Expenses not deductible for tax purposes | 0.1 | 0.1 |
| Change in UK tax rate | - | 0.3 |
| **Total tax charge for continuing operations** | 36.7 | 34.5 |

## 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.

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

| | 2008 £m | 2007 £m |
|---|---|---|
| Profit after taxation for the year from the trading activities of the international business | - | 13.4 |
| Demerger costs, net of tax credit | - | (31.3) |
| | - | (17.9) |
| Profit after taxation for the year from the trading activities of the insurance business | - | 8.2 |
| Profit after taxation on disposal of the insurance business | - | 67.4 |
| | - | 75.6 |
| **Profit after taxation for the year from discontinued operations** | - | 57.7 |

Full disclosures relating to the discontinued operations are provided in the 2007 annual report and financial statements.

## 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:

| | 2008 Earnings £m | 2008 Weighted average number of shares m | 2008 Per share amount pence | 2007 Earnings £m | 2007 Weighted average number of shares m | 2007 Per share amount pence |
|---|---|---|---|---|---|---|
| **EPS from continuing operations** | | | | | | |
| Shares in issue during the year | | 131.3 | | | 197.9 | |
| Own shares held | | (1.4) | | | (0.4) | |
| **Basic EPS from continuing operations** | 92.1 | 129.9 | 70.9 | 80.7 | 197.5 | 40.9 |
| Dilutive effect of share options and awards | - | 0.7 | (0.4) | - | 1.8 | (0.4) |
| **Diluted EPS from continuing operations** | 92.1 | 130.6 | 70.5 | 80.7 | 199.3 | 40.5 |
| **EPS attributable to equity shareholders** | | | | | | |
| Shares in issue during the year | | 131.3 | | | 197.9 | |
| Own shares held | | (1.4) | | | (0.4) | |
| **Basic EPS attributable to equity shareholders** | 92.1 | 129.9 | 70.9 | 138.4 | 197.5 | 70.1 |
| Dilutive effect of share options and awards | - | 0.7 | (0.4) | - | 1.8 | (0.7) |
| **Diluted EPS attributable to equity shareholders** | 92.1 | 130.6 | 70.5 | 138.4 | 199.3 | 69.4 |
| **EPS from discontinued operations** | | | | | | |
| Shares in issue during the year | | 131.3 | | | 197.9 | |
| Own shares held | | (1.4) | | | (0.4) | |
| **Basic EPS from discontinued operations** | - | 129.9 | - | 57.7 | 197.5 | 29.2 |
| Dilutive effect of share options and awards | - | 0.7 | - | - | 1.8 | (0.3) |
| **Diluted EPS from discontinued operations** | - | 130.6 | - | 57.7 | 199.3 | 28.9 |

The directors have elected to show an adjusted EPS from continuing operations after restating the weighted average number of shares in issue in 2007 to take account of the one-for-two share consolidation which accompanied the demerger of the international business on 16 July 2007. 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 to reflect the assumed 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:

| | 2008 Earnings £m | 2008 Weighted average number of shares m | 2008 Per share amount pence | 2007 Earnings £m | 2007 Weighted average number of shares m | 2007 Per share amount pence |
|---|---|---|---|---|---|---|
| **Basic EPS from continuing operations** | 92.1 | 129.9 | 70.9 | 80.7 | 197.5 | 40.9 |
| Share consolidation adjustment | - | - | - | - | (67.6) | 21.2 |
| Central costs adjustment, net of tax at 30% | - | - | - | 1.8 | - | 1.4 |
| **Adjusted basic EPS from continuing operations** | 92.1 | 129.9 | 70.9 | 82.5 | 129.9 | 63.5 |
| | | | | | | |
| **Diluted EPS from continuing operations** | 92.1 | 130.6 | 70.5 | 80.7 | 199.3 | 40.5 |
| Share consolidation adjustment | - | - | - | - | (67.6) | 20.8 |
| Central costs adjustment, net of tax at 30% | - | - | - | 1.8 | - | 1.3 |
| **Adjusted diluted EPS from continuing operations** | 92.1 | 130.6 | 70.5 | 82.5 | 131.7 | 62.6 |

## 6. Dividends

| | | 2008 £m | 2007 £m |
|---|---|---|---|
| 2006 final | - 22.0p per share | - | 56.4 |
| 2007 interim | - 25.4p per share | - | 33.0 |
| 2007 final | - 38.1p per share | 50.0 | - |
| 2008 interim | - 25.4p per share | 33.4 | - |
| **Dividends paid** | | 83.4 | 89.4 |

The 2006 final dividend was based on the number of shares in issue prior to the one-for-two share consolidation which took place on 16 July 2007 in conjunction with the demerger of the international business. All subsequent dividends are based on the shares in issue following the share consolidation.

The directors are recommending a final dividend in respect of the financial year ended 31 December 2008 of 38.1p per share which will amount to a dividend payment of £50.1m. If approved by the shareholders at the annual general meeting on 6 May 2009, this dividend will be paid on 19 June 2009 to shareholders who are on the register of members at 15 May 2009. This dividend is not reflected in the balance sheet as at 31 December 2008 as it is subject to shareholder approval.

## 7. Amounts receivable from customers

| | 2008<br>£m | 2007<br>£m |
|---|---|---|
| **Continuing operations** | | |
| Consumer Credit Division | 852.1 | 749.0 |
| Vanquis Bank | 205.4 | 143.1 |
| Yes Car Credit | 5.8 | 33.3 |
| **Total group** | 1,063.3 | 925.4 |
| | | |
| Analysed as: | | |
| - due within one year | 979.6 | 853.6 |
| - due in more than one year | 83.7 | 71.8 |
| | 1,063.3 | 925.4 |

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

| | 2008<br>£m | 2007<br>£m |
|---|---|---|
| **Continuing operations** | | |
| Consumer Credit Division | 197.9 | 175.3 |
| Vanquis Bank | 38.2 | 25.2 |
| Yes Car Credit | 1.6 | 6.7 |
| **Total continuing operations** | 237.7 | 207.2 |

## 8. Retirement benefit asset

The group has historically operated two major defined benefit schemes, the Provident Financial Senior Pension Scheme ('the senior scheme') and the Provident Financial Staff Pension Scheme ('the staff scheme'). On 1 September 2008, the senior pension scheme was merged into the staff pension scheme, and the group now operates one major defined benefit scheme: the staff scheme. The scheme covers 67% of employees with company-provided pension arrangements and is of the funded, defined benefit type providing retirement benefits based on final salary. Following a full group review of pension scheme arrangements, from 1 April 2006 members were provided with a choice of paying higher member contributions to continue accruing benefits based on final salary or paying a lower member contribution and accruing benefits based on a percentage of salary which would be revalued each year.

The most recent actuarial valuation of scheme assets and the present value of the defined benefit obligation was 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 this valuation which has been updated by the actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at the balance sheet date. Scheme assets are stated at fair value as at the balance sheet date.

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

| | 2008<br>£m | 2007<br>£m |
|---|---|---|
| Equities | 177.7 | 249.5 |
| Bonds | 121.2 | 22.6 |
| Fixed interest gilts | 38.2 | 34.8 |
| Index-linked gilts | 51.0 | 53.8 |
| Cash and money market funds | 22.6 | 105.0 |
| Total fair value of scheme assets | 410.7 | 465.7 |
| Present value of funded defined benefit obligations | (359.8) | (404.2) |
| **Net retirement benefit asset recognised in the balance sheet** | 50.9 | 61.5 |

The amounts recognised in the income statement were as follows:

| | 2008<br>£m | 2007<br>£m |
|---|---|---|
| Current service cost | (5.7) | (6.7) |
| Interest cost | (22.9) | (22.6) |
| Expected return on scheme assets | 29.8 | 28.8 |
| Net credit/(charge) before curtailment credit | 1.2 | (0.5) |
| Curtailment credit | - | 2.9 |
| **Net credit recognised in the income statement** | 1.2 | 2.4 |

The net credit recognised in the income statement in 2008 of £1.2m has been included within administrative expenses and relates wholly to continuing operations. The net charge before curtailment credit of £0.5m in 2007 was included within administrative expenses and comprised £0.4m in respect of continuing operations and £0.1m in respect of discontinued operations.

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 were no longer linked to future salary increases and, therefore, the projected defined benefit obligation relating to them was less than that anticipated prior to the disposal. The reduction in the projected defined benefit obligation of £2.9m was recognised as a curtailment credit in the consolidated income statement in the year ended 31 December 2007. This amount was included within the profit on disposal of the insurance business.

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

| | 2008<br>£m | 2007<br>£m |
|---|---|---|
| Fair value of scheme assets at 1 January | 465.7 | 467.9 |
| Expected return on assets | 29.8 | 28.8 |
| Actuarial (losses)/gains on scheme assets | (78.9) | 0.1 |
| Section 75 contribution on disposal of insurance business | - | 3.4 |
| Assets relating to international business on demerger | - | (31.3) |
| Contributions paid by the group | 5.3 | 4.0 |
| Contributions paid by scheme participants | 2.5 | 3.0 |
| Net benefits paid out | (13.7) | (10.2) |
| **Fair value of scheme assets at 31 December** | 410.7 | 465.7 |

The Section 75 contribution on disposal of the insurance business of £3.4m in 2007 was 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 net retirement benefit asset relating to the demerged international business of £3.5m was removed from the group's balance sheet as part of the dividend in specie in 2007. The net retirement benefit asset comprised £31.3m of scheme assets and £27.8m of defined benefit obligation.

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

| | 2008<br>£m | 2007<br>£m |
|---|---|---|
| Defined benefit obligation at 1 January | (404.2) | (459.0) |
| Current service cost | (5.7) | (6.7) |
| Interest cost | (22.9) | (22.6) |
| Curtailment credit | - | 2.9 |
| Liabilities relating to international business on demerger | - | 27.8 |
| Contributions paid by scheme participants | (2.5) | (3.0) |
| Actuarial gains on scheme liabilities | 61.8 | 46.2 |
| Net benefits paid out | 13.7 | 10.2 |
| **Defined benefit obligation at 31 December** | (359.8) | (404.2) |

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

| | | 2008<br>% | 2007<br>% |
|---|---|---|---|
| Price inflation | | 2.90 | 3.40 |
| Rate of increase in pensionable salaries | | 4.20 | 4.97 |
| Rate of increase to pensions in payment | | 2.90 | 3.40 |
| Discount rate | | 6.30 | 5.70 |
| Long term rate of return | – equities | 8.15 | 7.85 |
| | – bonds | 6.00 | 4.70 |
| | – fixed interest gilts | 3.80 | 4.50 |
| | – index-linked gilts | 3.80 | 4.25 |
| | – cash and money market funds | 3.80 | 5.90 |
| | – overall (weighted average) | 6.33 | 6.59 |

The mortality assumptions used in the valuation of the defined benefit pension scheme 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. However, for the purposes of the mortality assessment as at 31 December 2008, all life expectancy assumptions have been increased by one year in recognition of general practice in updating mortality assumptions recently. In more simple terms, it is now assumed that members who retire in the future at age 65 will live on average for a further 22 years if they are male (2007: 21 years) and for a further 25 years if they are female (2007: 24 years). If assumed life expectancies had been one year greater for both schemes, the retirement benefit asset would have reduced by approximately £10m (2007: £11m).

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

| | 2008<br>£m | 2007<br>£m |
|---|---|---|
| Actuarial (losses)/gains on scheme assets | (78.9) | 0.1 |
| Actuarial gains on scheme liabilities | 61.8 | 46.2 |
| **Total (loss)/gain recognised in the SORIE in the year** | (17.1) | 46.3 |

## 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 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: | | | | | |
| - purchase 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: | | | | | |
| - charge to the income statement | - | - | 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 |
| **Balance at 1 January 2008** | 27.2 | 132.7 | 0.1 | 135.9 | 295.9 |
| Cash flow hedges – net fair value losses | - | - | (17.3) | - | (17.3) |
| Actuarial losses on retirement benefit asset | - | - | - | (17.1) | (17.1) |
| Tax credit on items taken directly to equity | - | - | 4.9 | 4.8 | 9.7 |
| Net expense recognised directly in equity | - | - | (12.4) | (12.3) | (24.7) |
| Profit for the year | - | - | - | 92.1 | 92.1 |
| **Total recognised (expense)/income for the year** | - | - | (12.4) | 79.8 | 67.4 |
| Issue of share capital | 0.1 | 1.9 | - | - | 2.0 |
| Treasury shares adjustment – purchase of own shares | - | - | (8.7) | - | (8.7) |
| Share-based payment adjustment – charge to the income statement | - | - | 4.7 | - | 4.7 |
| Dividends | - | - | - | (83.4) | (83.4) |
| **Balance at 31 December 2008** | 27.3 | 134.6 | (16.3) | 132.3 | 277.9 |

**Information for shareholders**

1. The shares will be marked ex-dividend on 13 May 2009.

2. The final dividend will be paid on 19 June 2009 to shareholders on the register at the close of business on 15 May 2009. Dividend warrants/vouchers will be posted on 17 June 2009.

3. The 2008 annual report and financial statements together with the notice of the annual general meeting will be posted to shareholders on or around 23 March 2009.

4. The annual general meeting will be held on 6 May 2009 at the Marriot Hollins Hall Hotel and Country Club, Hollins Hill, Baildon, Shipley, West Yorkshire, BD17 7QW.