Provident Financial plc
Interim results for the six months ended 30 June 2016

Provident Financial plc is the leading non-standard lender in the UK. The group serves 2.4 million customers and its operations consist of Vanquis Bank, the Consumer Credit Division (CCD) comprising Provident, Satsuma and glo, and Moneybarn.

Highlights

Strong group profit performance and further dividend increase

- First half adjusted profit before tax[1] up 17.6% to £148.9m (2015: £126.6m) and adjusted earnings per share[1] up 10.7% to 77.9p (2015: 70.4p).
- First half statutory profit before tax up 48.9% to £165.4m (2015: £111.1m) and basic earnings per share up 39.2% to 86.0p (2015: 61.8p).
- Stable annualised return on assets[2] of 15.7% (2015: 15.6%), after absorbing the impact of the 8% bank corporation tax surcharge on Vanquis Bank's profits from 1 January 2016.
- Interim dividend per share up 10.2% to 43.2p (2015: 39.2p).

Vanquis Bank profits and average receivables up by over 12%

- UK profit before tax[1] up 12.8% to £99.8m (2015: £88.5m).
- Customer numbers and average receivables growth of 6.5% and 12.3% respectively against unchanged credit standards.
- Strong lift in account booking volumes following refresh of direct mail programme in May.
- UK annualised risk-adjusted margin[3] of 32.4% (2015: 33.3%), in line with guidance and ahead of minimum target of 30%, with arrears remaining at record lows.

CCD returns to growth and reported profits up sharply

- First half adjusted profit before tax[1] up 14.5% to £43.5m (2015: £38.0m), reflecting reduced start-up losses associated with Satsuma and glo.
- Robust demand has resulted in year-on-year receivables growth of 2.6%.
- Continued improvement in the annualised risk-adjusted margin[3] to 81.1% (2015: 78.2%) due to tight credit standards and focus on serving good-quality existing customers.
- Good progress made in developing the further lending and digital capability at Satsuma.
- glo guarantor loans proposition expected to be rolled-out towards the end of 2016.
- Annualised return on assets[2] increased to 22.3%, up from 19.7% at June 2015.

Moneybarn delivers further strong growth in new business

- Adjusted profit before tax[1] up 44.7% to £13.6m (2015: £9.4m), ahead of internal plans.
- Significant year on year growth in new business volumes of 42.5%, reflecting access to the group's funding and product development.
- Stable annualised return on assets[2] of 12.9% (2015: 12.9%).

Robust funding and liquidity position

- Strong and diverse funding capacity and liquidity position, including access to retail deposits in Vanquis Bank.
- Headroom, including retail deposits capacity, of £458m and group fully funded until May 2018.
- Gearing of 2.3 times (2015: 2.4 times) compared with a banking covenant limit of 5.0 times.

Key financial results

	H1 2016	H1 2015	Change
Adjusted profit before tax[1]	£148.9m	£126.6m	17.6%
Statutory profit before tax	£165.4m	£111.1m	48.9%
Adjusted earnings per share[1]	77.9p	70.4p	10.7%
Basic earnings per share	86.0p	61.8p	39.2%
Annualised return on assets[2]	15.7%	15.6%	
Interim dividend per share	43.2p	39.2p	10.2%

Peter Crook, Chief Executive, commented:

"I am pleased to report that all three businesses have delivered excellent performances through the first half of the year and contributed to the strong increase in adjusted profit before tax of 17.6%. The bank corporation tax surcharge introduced on 1 January 2016 moderated the growth in adjusted earnings per share to 10.7% and is also reflected in the interim dividend increase of 10.2%.

Credit quality in all three businesses is very sound and the group is fully funded through to May 2018 reflecting the group's substantial funding capacity and strong liquidity position.

This, together with the strong start to the second half, provides the foundation for delivering good quality growth for 2016 as a whole, continuing to deliver on the group's medium-term growth objectives as well as trading soundly through any slowdown that may emerge from the uncertainties currently present in the UK macroeconomic outlook."

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[1] *Adjusted profit before tax is stated before: (i) £3.7m of amortisation in respect of acquisition intangibles established as part of the acquisition of Moneybarn in August 2014 (2015: £3.7m); and (ii) an exceptional gain of £20.2m in respect of Vanquis Bank's interest in Visa Europe following completion of Visa Inc.'s acquisition of Visa Europe on 21 June 2016 (2015: exceptional cost of £11.8m in respect of a business restructuring in CCD).*

[2] *Adjusted profit before interest after tax as a percentage of average receivables for the 12 months ended 30 June.*

[3] *Revenue less impairment as a percentage of average receivables for the 12 months ended 30 June.*

INTERIM REPORT

Group results

The group has reported first half profit before tax, amortisation of acquisition intangibles and exceptional items up 17.6% to £148.9m (2015: £126.6m) reflecting strong growth in profits at Vanquis Bank and Moneybarn and an improved profit performance in CCD following a reduction in the start-up losses associated with Satsuma and glo. Adjusted earnings per share of 77.9p (2015: 70.4p) grew by 10.7%, a lower rate than pre-tax profits due to the impact of the 8% bank corporation tax surcharge on Vanquis Bank's profits in excess of £25m which was effective from 1 January 2016.

Vanquis Bank continues to generate strong margins and good growth, delivering profits up 12.8% to £99.8m (2015: £88.5m). New account bookings were 32,000 lower than last year, reflecting marketing spend on the direct mail programme being more heavily weighted towards the second half of the year in order to capitalise on a number of identified productivity gains which were implemented in May. Increased direct mailing activity commenced in late May, and, as expected, has increased new booking volumes which are now tracking at or above prior year levels. Year-on-year customer growth of 6.5% and average receivables growth of 12.3% have been delivered against unchanged credit standards. A number of new initiatives to augment medium-term growth are underway and are producing an encouraging pipeline of opportunities which should add further momentum to growth in the second half of the year. Delinquency levels have remained favourable throughout the first half, reflecting the sound quality of the receivables book and an improving UK employment market. This has enabled Vanquis Bank to deliver an annualised risk-adjusted margin of 32.4% to June 2016 (2015: 33.3%), in line with guidance and well ahead of its minimum target of 30%.

CCD's profit before tax in the first half of 2016 was up 14.5% to £43.5m (2015: £38.0m), reflecting a stable performance from home credit and reduced start-up losses associated with Satsuma and glo.

Demand and customer confidence within home credit has remained robust. The tighter credit standards introduced as part of the repositioning of the business in September 2013 have continued to curtail the recruitment of more marginal customers and drive up the quality of the receivables book. As a result, CCD customer numbers showed a year-on-year reduction of approximately 13.5% to 875,000, around one third of which reflects the sale of lower value delinquent balances to third party debt purchase companies. Despite the reduction in customer numbers, receivables ended the first half 2.6% higher than June 2015 reflecting the focus on serving good quality existing customers eligible for larger amounts of credit over a longer duration. The improvement in the quality of the receivables book has resulted in a strengthening in the annualised risk-adjusted margin from 78.2% at June 2015 to 81.1% at June 2016. Performance also continues to benefit from the cost reduction programme successfully implemented within home credit over recent years which has been assisted by the roll-out of technology. As a result, costs showed a year-on-year reduction of 11.3% in the first half of 2016. The business continues to pursue an agenda to identify further improvements in the efficiency and effectiveness of the organisation.

Alongside the robust performance of Provident home credit, CCD has continued to develop its market presence and further enhanced its capability in its online direct repayment loan product, Satsuma. The business has continued to adopt a measured approach to new customer growth with a strong focus on developing cost-effective distribution channels and the IT platform and processes to support medium-term growth and reinforce positive customer outcomes. The business is now generating a strong flow of further lending to established, good quality customers which is an important driver of future profits and fundamental to building a sustainable business. Further lending has recently been boosted by the implementation of customer login functionality and will be further enhanced by the introduction of a mobile app in the third quarter of the year. The business will also introduce a monthly product towards the end of the year as it begins to expand its product proposition beyond the current short-term weekly repaid instalment loan. The credit quality of new lending since the introduction of tighter underwriting in October 2015 is continuing to develop satisfactorily and Satsuma is on track to be at around break-even for the year as a whole.

Business volumes in glo, the guarantor loan proposition, have remained at modest levels during the first half of 2016. It remains in pilot mode, with the transfer of management responsibility from CCD to Vanquis planned to take place during the second half of the year once CCD receives its full authorisation from the FCA. Good progress continues to be made in developing underwriting, the customer journey and the IT infrastructure in advance of the full roll-out of the business towards the end of the year.

Moneybarn has performed very well in the first half of 2016 delivering profits of £13.6m (2015: £9.4m), up 44.7% on 2015 first half profits. Access to the group's funding and extension of the product proposition, including lending up to

retail value, has enabled the business to generate new business volumes 42.5% higher than the first half of 2015. The annualised risk-adjusted margin has remained broadly stable at 24.1% through the first half of 2016.

An exceptional credit of £20.2m has been recognised in the first half of 2016 reflecting the gain made on Vanquis Bank's interest in Visa Europe Ltd following completion of its acquisition by Visa Inc. on 21 June 2016 (2015: exceptional cost of £11.8m following a business restructuring in CCD). The group's statutory profit before tax is also stated after a £3.7m charge (2015: £3.7m) in respect of the amortisation of an intangible asset attributed to Moneybarn's broker relationships which was recognised on acquisition.

The group's funding and liquidity positions remain strong and diverse, including access to retail deposits within Vanquis Bank. Gearing has reduced to 2.3 times (2015: 2.4 times) reflecting continued strong capital generation and the cash proceeds from the sale of the Visa Europe shares. Headroom on the group's committed debt facilities amounted to £162m at June 2016 and, including the additional capacity available for Vanquis Bank to take retail deposits, total funding capacity amounted to £458m. The group's committed debt facilities, together with the retail deposits programme at Vanquis Bank, are sufficient to fund contractual maturities and projected growth in the business until May 2018.

The interim dividend has been increased by 10.2% to 43.2p (2015: 39.2p) reflecting the growth in earnings, strong capital generation and the stated policy of maintaining annual dividend cover of at least 1.25 times.

Market conditions

Vanquis Bank

Vanquis Bank promotes financial inclusion by bringing the benefits of credit cards to consumers who are typically excluded by mainstream lenders, helping people to establish or rebuild their credit profiles and enjoy the increasing utility of card-based credit, including online shopping. Vanquis Bank's 'low and grow' approach to extending credit and high levels of customer contact underpin a sustainable, responsible lending model which produces consistently high levels of customer satisfaction approaching 90%.

Vanquis Bank has demonstrated that it is considerably less sensitive to changes in the employment market than mainstream card issuers. Although the UK employment market has continued to improve, Vanquis Bank has maintained tight credit standards and has continued to only book those new customers who are expected to deliver its minimum threshold returns. As a result, delinquency levels have continued to be favourable and have run at record lows for the business during the first half of 2016.

Competitors continue to be active in both the direct mail and internet distribution channels. However, the business continues to generate strong demand from developing the underserved, non-standard UK credit card market. Against unchanged credit standards, Vanquis Bank generated first half bookings of 184,000, 32,000 lower than the first half of 2015, primarily due to the marketing spend on the 2016 direct mail programme being more heavily weighted towards the second half of the year in order to capitalise on a number of productivity gains which were implemented towards the end of May and are proving effective.

CCD

Home credit

The Provident home credit business continues to fill an important need for consumers in the non-standard market, providing access to credit for those who might otherwise be financially excluded. Consumers on low incomes and tight budgets require affordable credit in order to manage the peaks and troughs in their household budgets or one-off items of expenditure which may arise. They value the simple, flexible and transparent nature of the home credit product with its fixed repayments and no additional fees or charges whatsoever, even if payments are missed. Customers also value the face-to-face relationship with their agent who typically lives in the same community and genuinely understands their needs. This is evidenced by consistently high levels of customer satisfaction in excess of 90%. The regular contact between agents and customers, together with agents' commission being based on collections, rather than amounts lent, further reinforces Provident's responsible lending approach.

Home credit customers' employment tends to be biased towards more casual, temporary and part-time employment. Demand from home credit customers has continued to improve during the first half of 2016 and customer confidence has been robust. Household incomes and the cost of living have both shown a modest improvement.

There continues to be a stable core of between 2 and 3 million non-standard UK consumers for whom home credit is the right solution because a face-to-face relationship is critical to the assessment of affordability and forbearance measures which cannot be replicated through a remote lending relationship.

Although the competitive landscape in the home credit market remains largely unchanged, there is evidence of some industry consolidation materialising as a result of more exacting regulation under the Financial Conduct Authority (FCA).

Satsuma

Satsuma addresses underserved consumers of adequate credit quality whose preference is to access small-sum credit online and make repayments direct from their bank account without the need for a face-to-face relationship. It is relevant to the significant audience of underserved consumers between Vanquis Bank and the Provident home credit business. In order to maintain the group's responsible approach to lending, the Satsuma product retains many of the features of the home credit product. There are no extra charges with fixed payments based on a predetermined schedule. Customers can have regular contact with a customer account manager and there are a number of forbearance measures in place for those customers who get into financial difficulty. In addition, Satsuma is utilising the highly effective distribution, underwriting and collections capabilities of both CCD and Vanquis Bank.

Customer demand in the online small-sum, short-term unsecured loans market, in which payday lending was previously the most significant participant, continues to be strong. However, as a result of clearer, tighter regulation around payday lending implemented from 1 July 2014, including the introduction of a rate cap from 2 January 2015, there has been a significant shift in supply from payday loans to more affordable and responsible instalment lending products. Tighter regulation has meant that a number of smaller payday loan companies have already exited the market and larger operators have revised their business models and significantly curtailed their payday lending activities. This has resulted in the online small-sum, short-term credit market, which typically represents lending of up to 1 year in duration, becoming very crowded with the main participants investing heavily to attract new customers and struggling to make positive returns. At the same time, the market for loans of greater than 12 months in duration is growing and is underserved, typically due to funding constraints of small-sum, short-term credit providers.

Since its inception in 2014, Satsuma has focused solely on small-sum, short term credit, primarily through weekly repaid products of between 13 and 52 weeks, consistent with the group's 'low and grow' approach to lending. However, the business continues to invest in developing its product proposition, distribution channels and IT platform to support further lending to good-quality existing customers and also plans to launch a monthly instalment product during the second half of 2016 as part of its journey to establish a leading position in the online loans market.

glo

glo provides longer, larger loans of between £1,000 and £7,000 repayable over a period of between one and five years. glo loans meet the need for more significant purchases, such as buying a car, consolidating finances, or home improvements. The customer is supported by a family member or friend with a good credit record who is prepared to guarantee the loan if the customer's circumstances change, allowing the customer access to lower cost credit than would otherwise be available.

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

The guarantor loans market comprises a market leader and includes a number of significantly smaller providers with minimal scale. However, there remains strong demand for guarantor loans in this underserved segment of the non-standard market. New business volumes in glo remain relatively modest whilst the business awaits transfer of management responsibility from CCD to Vanquis, subject to regulatory approval, and full roll-out of the business is expected towards the end of 2016.

Moneybarn

Moneybarn promotes financial inclusion by providing vehicle finance to those consumers who may be unable to obtain mainstream credit, enabling them to get to work and earn a living. The business shares many of the characteristics of the group's other businesses with a strong focus on delivering favourable customer outcomes. Responsible lending is reinforced through robust affordability checks, and straightforward products which do not involve the sale of ancillary products such as PPI or GAP insurance, or hidden fees or charges. Moneybarn has well-developed forbearance measures for those customers who get into financial difficulty.

The profile of Moneybarn's customers is very similar to Vanquis Bank customers. They typically have a thin or impaired credit history and find it difficult to access credit from prime lenders. They have an average age of approximately 40, are employed or self-employed and have an income level around the national average of £25,000.

Moneybarn is one of the largest providers of non-standard vehicle finance in the UK, with an approximate market share of around 25% of the secured segment. Direct competition comes from around ten other providers who remain active in the underserved market. The non-standard vehicle finance market shrank considerably as a result of the financial crisis, as mainstream and specialist participants reduced their lending, collapsed or exited the market. It has recovered in recent years but remains much lower than it was in 2007. Growth in future demand is supported by a number of factors including customer needs, an overall under-supply of non-standard car finance and the value for money of specialist car finance relative to many other non-standard funding options.

Vanquis Bank

Business performance

Vanquis Bank has generated profit before tax of £99.8m in the six months ended 30 June 2016 (2015: £86.7m) analysed as follows:

	Six months ended 30 June		
	2016	2015	Change
	£m	£m	%
Profit/(loss) before tax:			
- UK	99.8	88.5	12.8
- Poland	-	(1.8)	100.0
Total Vanquis Bank	99.8	86.7	15.1

UK

	Six months ended 30 June		
	2016	2015	Change
	£m	£m	%
Customer numbers ('000)	1,448	1,359	6.5
Period-end receivables	1,280.8	1,146.9	11.7
Average receivables	1,252.1	1,115.1	12.3
Revenue	280.1	261.1	7.3
Impairment	(80.4)	(78.9)	(1.9)
Revenue less impairment	199.7	182.2	9.6
Annualised risk-adjusted margin[1]	32.4%	33.3%	
Costs	(79.6)	(72.5)	(9.8)
Interest	(20.3)	(21.2)	4.2
Profit before tax[2]	99.8	88.5	12.8
Annualised return on assets[3]	14.9%	15.7%	

[1] *Revenue less impairment as a percentage of average receivables for the 12 months ended 30 June.*

[2] *Profit before tax in 2016 is stated before an exceptional gain of £20.2m in respect of Vanquis Bank's interest in Visa Europe following completion of Visa Inc.'s acquisition of Visa Europe on 21 June 2016 (2015: £nil).*

[3] *Profit before interest and exceptional items after tax as a percentage of average receivables for the 12 months ended 30 June.*

Vanquis Bank has delivered a good performance in the first half of 2016, reporting UK profits 12.8% higher than the first half of last year. Sound credit quality, favourable delinquency and the benefit of operational leverage has enabled the business to deliver an annualised return on assets of 14.9% at June 2016. The reduction from 15.7% at June 2015 is solely attributable to the impact of the 8% bank corporation tax surcharge which became effective from 1 January 2016.

Whilst the marketing activity of competitors in both the direct mail and internet channels has continued, demand for non-standard credit cards continues to be strong. Against unchanged credit standards and a stable acceptance rate of around 25%, Vanquis Bank's internet bookings have remained strong during the first half of the year whilst year-on-year bookings from the direct mail and face-to-face channels have been lower than the previous year. As reported in the Interim Management Statement issued in May, this reflects two factors. Firstly, the spend on Vanquis Bank's 2016 direct mail programme is being heavily weighted towards the second half of the year in order to capitalise on a number of identified productivity gains. Secondly, bookings in the face-to-face channel have reduced whilst the customer acquisition process has been enhanced in order to produce a better performance. The productivity gains have been incorporated into a refreshed direct mail programme, producing a step-up in mailing volumes during May. The expected increase in booking volumes materialised towards the end of May and has continued through June and July. This meant that booking volumes in the second quarter of the year were just 9,000 lower than the second quarter of last year

compared with a shortfall of 23,000 in the first quarter. Consequently, total account bookings during the first half of 184,000 (2015: 216,000) were 32,000 lower than the first half of 2015 and customer numbers at June 2016 were 1,448,000 (2015: 1,359,000), up 6.5% on last year versus growth of 9.9% for 2015 as a whole.

Vanquis Bank, under the leadership of Chris Sweeney since the start of the year, continues to develop a number of new initiatives to augment the medium-term growth of the business. These include: (i) expanding the capability to provide non-standard consumer finance through partnering with other lending institutions, brokers or providers of retail finance; (ii) purchasing tranches of non-performing debt and applying Vanquis Bank's collections expertise, customer contact data and debt rehabilitation skills in order to generate a strong return on investment as well as generating the opportunity to provide rehabilitated customers with a credit card; and (iii) cross-selling third-party home contents, electronic device, car and travel insurance to our customers. The pipeline of opportunity from these initiatives is very encouraging and expected to add momentum in the second half of the year.

The growth in customer numbers, together with the credit line increase programme to customers who have established a sound payment history, generated a 12.3% increase in average receivables. Returns from the 'low and grow' approach to extending credit remain consistently strong and are underpinned by average credit line utilisation of nearly 70% which delivers a strong stream of revenue whilst maintaining a relatively low level of contingent risk from undrawn credit lines.

The annualised risk-adjusted margin at June 2016 is 32.4%, compared with 33.3% at June 2015 and 32.8% at December 2015. The reduction in the risk-adjusted margin over the last 12 months primarily reflects a decline in the revenue yield derived from the Repayment Option Plan (ROP) product following changes to the sales process and product features first made in 2013 and interchange income.

As indicated in the 2015 preliminary announcement, the agreement between Visa and the EU to reduce the interchange fees charged by credit card companies to retailers was fully implemented from December 2015 on domestic transactions. The impact on Vanquis Bank was a reduction in income of approximately £3m in 2015 and is estimated to increase to an impact of around £11m in 2016.

Although the UK employment market has continued to improve, Vanquis Bank will continue to apply the tight credit standards which were in place during the economic downturn between 2008 and 2010, a period when the business successfully delivered its minimum risk-adjusted margin target of 30%. This is why the rate of delinquency has fallen to a new all time low for the business and produced a 1.0% reduction in the rate of impairment since June 2015. Over the same period, the improving quality of the book has seen the revenue yield from interest and late and over limit fees reduce by around the same amount.

Based on stable delinquency trends, the changes made to the ROP product and the impact of reduced interchange fees, the risk-adjusted margin is expected to moderate to around 32% for 2016 as a whole and remain above the target of 30% thereafter.

First half cost growth of 9.8% was lower than average receivables growth of 12.3% as the business benefited from operational leverage.

Interest costs reduced by 4.2% during the first half of 2016. This is a lower rate of growth than average receivables and reflects the reduction in Vanquis Bank's blended funding rate, after taking account of the cost of holding a liquid assets buffer, from 5.5% in the first half of 2015 to 4.7% in the first half of 2016 due to a lower blended interest rate on retail deposits and a lower group funding rate on the intercompany loan from PFG.

CCD

Business performance

CCD generated a profit before tax and exceptional costs of £43.5m in the first half of 2016 (2015: £38.0m) as set out below:

	Six months ended 30 June		
	2016	2015	Change
	£m	£m	%
Customer numbers ('000)	875	1,011	(13.5)
Period-end receivables	510.6	497.9	2.6
Average receivables	497.9	511.5	(2.7)
Revenue	255.2	268.2	(4.8)
Impairment	(70.4)	(72.1)	2.4
Revenue less impairment	184.8	196.1	(5.8)
Annualised risk-adjusted margin[1]	81.1%	78.2%	
Costs	(127.2)	(143.4)	11.3
Interest	(14.1)	(14.7)	4.1
Profit before tax[2]	43.5	38.0	14.5
Annualised return on assets[3]	22.3%	19.7%	

[1] *Revenue less impairment as a percentage of average receivables for the 12 months ended 30 June.*

[2] *Profit before tax in 2015 is stated before an exceptional cost of £11.8m in respect of a business restructuring.*

[3] *Profit before interest and exceptional items after tax as a percentage of average receivables for the 12 months ended 30 June.*

CCD has made further good progress in executing on its strategic plan to develop a broader based lending business. The repositioned Provident home credit business is delivering strong returns and has supported the continued investment in developing the Satsuma online loans proposition and the glo guarantor loans pilot. Profits in the first half of 2016 have increased by 14.5% or £5.5m, reflecting a reduction in the start-up losses of Satsuma and glo of approximately £5m. The strategic development of CCD continues to drive improved returns with the annualised return on assets increasing to 22.3% at June 2016, up from 19.7% at June 2015 and 21.2% at December 2015.

Customer numbers in CCD have shown a year on year reduction of 13.5% to 875,000 (2015: 1,011,000). Approximately, one third of the reduction relates to the sale to third party debt purchasers of delinquent low value customer balances residing in home credit's central collections department. The remaining reduction reflects the tighter credit standards introduced as part of the repositioning of the business in September 2013 which have continued to curtail the recruitment of more marginal customers and improve overall credit quality.

Demand and customer confidence have remained robust and when combined with the focus on serving good-quality existing customers has resulted in a 6% year-on-year improvement in sales during the first half of the year. As a result, CCD receivables ended the first half 2.6% higher than June 2015 compared with the year-on-year reduction of 7.3% reported at December 2015.

The annualised revenue yield of 102.4% at June 2016 has reduced modestly from 103.6% at December 2015 but is higher than 101.4% at June 2015. The reduction in the first half of the year reflects the continued focus on serving good quality customers who tend to be served with longer term, lower yielding products.

The benefit of standardised arrears and collections processes coupled with continued tight credit standards have resulted in stable arrears with the annualised ratio of impairment to revenue remaining at 20.8% at June 2016, consistent with 20.6% at December 2015 and an improvement from 22.9% at June 2015.

The modest reduction in revenue yield together with stable impairment through the first half of 2016 has produced an annualised risk-adjusted margin for CCD of 81.1% at June 2016, lower than 82.2% at December 2015. The favourable development of the revenue yield and impairment through the second half of 2015 were responsible for lifting the annualised risk-adjusted margin from 78.2% at June 2015. The risk-adjusted margin is expected to remain broadly stable through the second half of 2016.

Business performance continues to benefit from the successful completion of the programme to deploy technology throughout the field operation in 2015 to support an improvement in productivity and implement market-leading compliance. Costs in the first half of 2016 were £16.2m or 11.3% lower than the first half of 2015, with around half of the reduction resulting from the annualised savings of approximately £14m secured in June 2015 within the field infrastructure. The remaining reduction reflects a reduction in agents' commission costs due to lower average receivables together with lower costs in Satsuma as a result of more cost effective marketing. CCD continues to pursue an agenda to identify further improvements in the efficiency and effectiveness of the business, including the further development of field-based technology.

Interest costs were 4.1% lower than the first half of last year compared with a reduction of 2.7% in average receivables. This reflects a marginal reduction in the funding rate for the business from 7.3% in the first half of 2015 to 7.1% in the first half of 2016 due to a reduction in group borrowing costs.

Satsuma

Good progress has been made during the first half of 2016 in developing the distribution, digital platform and further lending capability at Satsuma in order to develop a sustainable business beyond the competitive online small-sum, short-term credit market.

Satsuma remains the third most recognised brand within online small-sum, short-term credit and the business continues to develop its multi-channel distribution capability, focusing on recruiting new customers through more cost effective channels such as digital, social media and the broker channel rather than simply through above the line advertising. Satsuma's trading performance continues to reflect the significant tightening of credit standards implemented in the fourth quarter of last year as well as the current narrow focus on small-sum, short term, weekly repaid credit of less than a year in duration. As a result, growth has been relatively modest with customer numbers and receivables ending the first half of 2016 at 48,000 (2015: 45,000) and £12.6m (2015: £11.6m) respectively. The credit quality of recent cohorts of lending are performing in line with expectations and continue to benefit from the highly effective and scalable collections capability of Vanquis Bank's contact centre in Chatham.

Today, over three quarters of customer applications are made from hand held devices. Consequently, a leading edge mobile app will be launched during the third quarter of the year to further improve the customer experience.

Consistent with the group's 'low and grow' approach to lending, the second half of the year will see the business launch a monthly product to meet the needs of the larger population of customers who are paid monthly and prefer to manage their finances on a monthly basis. In due course, Satsuma intends to further develop its lending to larger amounts of over £1,000 and beyond a year in duration which remains an underserved area within the non-standard market.

The business is now generating a strong flow of further lending to established, good-quality customers which is fundamental to developing strong returns from the business. The ratio of loans to existing customers compared with new customers has improved from 0.7 in the fourth quarter of 2015 to 1.0 in the second quarter of 2016. Further lending capability has recently been boosted by the successful introduction of customer login functionality which allows existing customers to view their account, make electronic payments and apply for further credit in an efficient manner.

Satsuma remains on track to be at around break-even for 2016 as a whole.

glo

Business volumes at glo have remained at modest levels during the first half of 2016. The business remains in pilot mode, with the transfer of management responsibility from CCD to Vanquis planned to take place during the second half of 2016 once CCD receives its full authorisation from the FCA.

The first half of 2016 has seen CCD and Vanquis Bank management continue to develop underwriting standards, distribution channels, the customer journey and IT infrastructure in advance of the transfer of the business to Vanquis Bank. The collections function is now fully embedded within the Vanquis Bank contact centre in Chatham. Full roll-out and a step-up in marketing activity is expected on completion of the transfer towards the end of the year.

As at 30 June 2016, glo had 5,000 customers (2015: 2,000) and a receivables book of £8.0m (2015: £5.3m).

Moneybarn

Moneybarn has contributed a profit before tax and amortisation of acquisition intangibles of £13.6m (2015: £9.4m) in the first half of 2016 as set out below:

	Six months ended 30 June		
	2016	2015	Change
	£m	£m	%
Customer numbers ('000)	36	26	38.5
Period-end receivables	264.4	186.5	41.8
Average receivables	245.9	171.1	43.7
Revenue	36.3	24.2	50.0
Impairment	(7.0)	(3.4)	(105.9)
Revenue less impairment	29.3	20.8	40.9
Annualised risk-adjusted margin[1]	24.1%	24.6%	
Costs	(9.8)	(7.1)	(38.0)
Interest	(5.9)	(4.3)	(37.2)
Profit before tax[2]	13.6	9.4	44.7
Annualised return on assets[3]	12.9%	12.9%	

[1] *Revenue less impairment as a percentage of average receivables for the 12 months ended 30 June.*

[2] *First half profit before tax is stated before the amortisation of acquisition intangibles of £3.7m (2015: £3.7m).*

[3] *Profit before interest and the amortisation of acquisition intangibles after tax as a percentage of average receivables for the 12 months ended 30 June.*

Moneybarn has performed well during the first half of 2016, delivering an increase in adjusted profits of 44.7%. Strong growth in the receivables book and robust margins have enabled the business to invest in the necessary headcount and its platform to support growth whilst delivering an annualised return on assets of 12.9% at June 2016, in line with December 2015 and June 2015.

New business volumes during the first half of the year have remained strong as the business continues to benefit from the group's funding since acquisition in August 2014. In addition, the extension of the product offering to lend up to retail value and the reduction in the minimum lend from £5,000 to £4,000 has reinforced primacy amongst its broker network. As a result, new business volumes were 42.5% higher than the first half of last year. Customer numbers ended June at 36,000, up from 31,000 at December 2015 and 26,000 at June 2015.

Moneybarn continues to explore other opportunities to develop and extend its product offering. During the first half, Moneybarn has continued to develop its used light commercial vehicles proposition through its existing broker network. The results are encouraging with volumes continuing to build at a healthy rate. To support the development of Moneybarn's direct to consumer proposition, the business is in the process of redeveloping its website to give it a more

modern look and feel, improve the customer application journey and enable it to be fully compatible with mobile phones and tablets. This enhanced website will be launched during the third quarter of the year. In addition, the development of Vanquis Bank's digital platform will also further raise the awareness of Moneybarn's car finance proposition to Vanquis Bank customers. Further opportunities to develop and extend the product offering are also under active consideration.

The strong growth in new business volumes has resulted in receivables growth of 41.8% to £264.4m at June 2016 (2015: £186.5m). Average new loan sizes in the first half of the year were around £8,200, lower than the historical average of £9,000, reflecting a modest shift in the mix in business towards marginally lower value vehicles which carry a higher yield.

Default rates have increased modestly in the first half of the year consistent with the mix of business being written. As a result, the annualised risk-adjusted margin was 24.1% at June 2016, compared with 24.3% at December 2015 and 24.6% at June 2015. The risk-adjusted margin is expected to remain broadly stable during the second half of the year.

The business has continued to invest in the resources necessary to support future growth as well as meet the more exacting regulatory standards set by the FCA. Accordingly, headcount has increased from 151 to 166 since December 2015 and is expected to increase to around 200 by the end of the year. This has resulted in first half cost growth of 38.0% which is similar to the growth in average receivables.

Interest costs have shown growth of 37.2% in the first half of 2016 compared with average receivables growth of 43.7%. The group funding rate has remained unchanged and, therefore, the lower rate of growth in interest costs reflects the retention of profits since acquisition as the capital base is built towards the group's target gearing ratio of 3.5 times.

Central costs

Central costs have shown a modest inflationary increase of £0.5m to £8.0m during the first half of 2016 (2015: £7.5m).

Share in Visa Europe

On 21 June 2016, Visa Inc. completed the acquisition of Visa Europe Limited creating a single global payments business under the VISA brand. Vanquis Bank was a member and shareholder of Visa Europe and in exchange for its one redeemable ordinary share has received cash consideration of €15.9m, preferred stock with an approximate value of €10.7m and will receive deferred cash consideration of €1.4m on the third anniversary of the completion date. The preferred stock is convertible into Class A common stock of Visa Inc. at a future date, subject to certain conditions.

An exceptional gain of £20.2m has been recycled from equity and recognised in the income statement in the first half of 2016 representing the fair value of the proceeds. The fair value of the preferred stock in Visa Inc. of £7.0m as at 30 June 2016 has been recognised as an available for sale investment and the fair value of the deferred cash consideration of £1.0m has been recognised as a debtor.

Taxation

The tax rate for the first half of 2016 of 24.40% (2015: 20.25%) is the estimated effective tax rate on profit before tax, amortisation of acquisition intangibles and exceptional items for the 2016 financial year and is higher than the mainstream UK statutory corporation tax rate of 20%. This reflects the impact of the bank corporation tax surcharge of 8% which came into force on 1 January 2016. The surcharge applies to Vanquis Bank profits in excess of £25m and places an additional tax cost on Vanquis Bank of approaching £15m per annum.

Dividends

The interim dividend per share has been increased by 10.2% to 43.2p (2015: 39.2p), consistent with the group's stated policy to grow dividends whilst maintaining a dividend cover of at least 1.25 times. The increase in the interim dividend is supported by the group's growth in earnings and strong capital generation. The board's current intention is to increase the total dividend for 2016 at least in line with earnings.

Funding and capital

The group's funding and liquidity positions are strong and diverse, including access to retail deposits within Vanquis Bank. Gearing of 2.3 times (2015: 2.4 times) compares with a banking covenant limit of 5.0 times. The reduction over the last 12 months reflects strong capital generation together with the benefit from the cash proceeds on disposal of the Visa Europe shares.

Headroom on the group's committed facilities as at 30 June 2016 amounts to £162m and, including the additional capacity available for Vanquis Bank to take retail deposits, total funding capacity amounts to £458m. The group's committed debt facilities, together with the retail deposits programme at Vanquis Bank, are sufficient to fund contractual maturities and projected growth in the business until May 2018. In accordance with the group's treasury policies, the group would anticipate renewing its £382.5m revolving syndicated bank facility at least 12 months in advance of its May 2018 maturity date.

At the end of June, Vanquis Bank had taken £719.3m of retail deposits (56% of Vanquis Bank's UK receivables), up from £645.4m at 30 June 2015 (56% of Vanquis Bank's UK receivables), with additional retail deposits capacity of £296m, representing the remaining outstanding balance on the intercompany loan with Provident Financial. Due to the high level of committed debt funding, the flow of new funds from the retail deposits programme has been managed to relatively modest levels during the first half of 2016 through appropriate pricing. However, retail deposit volumes are expected to increase during the second half of the year.

The group's funding rate during the first half of 2016 was 5.7%, down from 6.1% in the first half of 2015. This reflects a lower average blended rate on retail deposits, the lower rate on the 2015 retail bond and a lower average rate on the group's syndicated bank facilities. The group's funding rate is expected to moderate to around 5% for 2016 as a whole.

The group's credit rating from Fitch Ratings was reviewed in June 2016 and remains unchanged at BBB with a stable outlook.

The group continues to be highly capital generative. In the 12 months to 30 June 2016, the group generated capital of £248.8m (2015: £169.8m) compared with dividends declared of £180.7m (2015: £148.9m).

The group maintains a strong capital position and, as at 30 June 2016, the common equity tier one ratio and leverage ratio of the group were 21.3% (2015: 21.1%) and 16.5% (2015: 16.3%) respectively.

Regulation

Transfer of regulation to the FCA

The FCA regulation of the consumer credit industry commenced on 1 April 2014. CCD and Moneybarn obtained interim permissions under the new regime and submitted their applications for full authorisation prior to the 31 May 2015 deadline. Vanquis Bank, which was already an authorised firm, submitted its application for a variation of permissions in December 2014.

During the first half of 2016, Vanquis Bank's change of permission was approved by the FCA and Moneybarn received its full authorisation. CCD continues to operate under an interim permission awaiting full authorisation, consistent with the other sizeable firms operating in the home credit market. Whilst the outcome of the regulator's process of reviewing applications carries some inherent uncertainties, CCD continues to have a constructive dialogue with the FCA and the process is approaching its conclusion.

FCA credit card review

In November 2015, the FCA published interim findings from its market-wide study of the UK credit card industry. The study primarily focused on: (i) the extent to which consumers drive effective competition through shopping around and switching products; (ii) how firms recover their costs across different cardholder groups and the impact of this on the market; and (iii) the extent of unaffordable credit card debt.

Overall, the FCA found that competition is working fairly well for consumers in the credit card market and that they were not minded to impose a cap on the total cost of credit or increase minimum repayments. They are, however, considering a number of remedies to promote shopping around and switching and to address affordability. In respect of affordability,

the FCA is considering increased disclosures to promote the faster repayment of debt, the requirement for customers to opt in to credit line increases and overlimit transactions and the faster intervention of forbearance measures prior to default. There is not currently expected to be a material impact to Vanquis Bank. The final report from the FCA is due in the third quarter of 2016.

Principal risks and uncertainties

The principal risks and uncertainties affecting the group remain largely unchanged from 31 December 2015 and comprise the following risks: conduct; responsible lending; agent/customer relationship; UK regulation; EU regulation; credit; home credit collections; competition; new initiatives; change management; publicity and political; information security; supplier; IT change management; capital; liquidity; pension; tax; remuneration; recruitment and retention; and self-employment status. A full assessment of the risks and uncertainties, together with the controls and processes which are in place to monitor and mitigate the risks where possible, are set out on pages 62 to 65 of the 2015 Annual Report & Financial Statements which is available on the company's website, www.providentfinancial.com.

The most relevant risks and uncertainties for the remaining six months of the 2016 financial year are in respect of UK regulation. An update on the more important UK regulatory developments affecting the group is set out in the regulation section of this report.

The UK's EU referendum on 23 June has resulted in a decision to leave the EU (Brexit). Brexit has had a significant impact on capital markets. Most economists and market commentators now predict a period of instability in the UK economy over the near term which is likely to result in weak GDP growth and may result in increased unemployment and inflation in the UK economy. Whilst the emergence of such changes is unlikely to have a significant impact on the group through the remainder of 2016, they may have an impact on trading performance during 2017 if of sufficient magnitude. Based on the trends experienced during the last downturn in the UK economy between 2008 and 2010, rising unemployment may result in some increase in impairment in Vanquis Bank and Moneybarn and inflationary conditions may result in weaker demand in the home credit business. Wholesale debt markets may also experience disruption in a weak UK economy.

Despite the potential second order risks of Brexit, the group has proven resilient during previous economic downturns due to the specialist business models deployed by its divisions which are tailored to serving non-standard customers. Vanquis Bank demonstrated during the last downturn that it is considerably less sensitive to changes in the employment market than mainstream card issuers, maintaining its target risk-adjusted margin of 30%, despite a modest increase in impairment. Moneybarn experiences low default rates and has recourse to the vehicle in the event of default. Its robust risk-adjusted margin is capable of absorbing an increase in impairment during a period of rising unemployment. The home credit business has been repositioned since the last downturn with a significant tightening of underwriting, the standardisation of arrears practices through the implementation of technology and a focus on serving good-quality existing customers. The business is, therefore, in a strengthened position to manage the impact of significant increases in inflation such as those experienced on food, fuel and utility bills during 2011 to 2013 which reduced demand and resulted in an increase in impairment. The group's funding position is strong, with significant headroom on committed facilities and a diverse range of funding sources, including retail deposits which is a valuable source of funds, particularly when wholesale debt markets are weak. It is also possible that the group's addressable customer base may increase during a downturn as prime and other wholesale funded non-standard lenders may reduce risk appetite or experience funding constraints.

Related party transactions

There have been no changes in the nature of the related party transactions as described in note 29 to the 2015 Annual Report & Financial Statements and there have been no new related party transactions which have had a material effect on the financial position or performance of the group in the six months ended 30 June 2016.

Outlook

Vanquis Bank will continue to generate good growth and margins through 2016 and beyond by developing the excellent pipeline of opportunities to further increase its reach into the underserved, non-standard UK credit card market. Within CCD, the repositioned home credit business is now growing its receivables book and Satsuma is in a position to move to the next stage of its development which will include broadening its product proposition during the second half of 2016. Moneybarn's growth is running ahead of plan.

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

The group has produced a sound set of interim results and credit quality in all three businesses is good. This, together with the strong start to the second half, provides the basis for delivering good-quality growth for 2016 as a whole.

Unaudited condensed interim financial statements

Consolidated income statement

	Note	Six months ended 30 June 2016 £m	2015 £m
Revenue	4	571.6	555.3
Finance costs		(39.9)	(40.6)
Operating costs		(228.9)	(242.7)
Administrative costs		(137.4)	(160.9)
Total costs		(406.2)	(444.2)
Profit before taxation	4	165.4	111.1
Profit before taxation, amortisation of acquisition intangibles and exceptional items	4	148.9	126.6
Amortisation of acquisition intangibles	4	(3.7)	(3.7)
Exceptional items	4	20.2	(11.8)
Tax charge	5	(41.2)	(22.5)
Profit for the period attributable to equity shareholders		124.2	88.6

All of the above activities relate to continuing operations.

Consolidated statement of comprehensive income

	Note	Six months ended 30 June 2016 £m	2015 £m
Profit for the period attributable to equity shareholders		124.2	88.6
Other comprehensive income:			
– fair value movements on cash flow hedges		(0.2)	2.9
– actuarial movements on retirement benefit asset	9	33.4	(44.7)
– fair value movement in available for sale investment	10	2.7	-
– gain on available for sale investment recycled to the income statement	10	(20.2)	-
– exchange differences on translation of foreign operations		(0.7)	0.4
– tax on items taken directly to other comprehensive income		(1.2)	8.3
Other comprehensive income for the period		13.8	(33.1)
Total comprehensive income for the period		138.0	55.5

Earnings per share

	Note	Six months ended 30 June 2016 pence	2015 pence
Basic	6	86.0	61.8
Diluted	6	84.8	60.9

Dividends per share

		Six months ended 30 June 2016 pence	2015 pence
Interim dividend	7	43.2	39.2
Paid in the period*	7	80.9	63.9

* The total cost of dividends paid in the period was £117.8m (2015: £92.3m).

Consolidated balance sheet

	Note	30 June 2016 £m	31 December 2015 £m	30 June 2015 £m
ASSETS				
Non-current assets				
Goodwill		71.2	71.2	71.2
Other intangible assets		83.4	85.2	84.4
Property, plant and equipment		29.4	29.5	28.2
Financial assets:				
– amounts receivable from customers	8	259.4	218.0	185.1
Retirement benefit asset	9	100.8	62.3	17.5
		544.2	466.2	386.4
Current assets				
Financial assets:				
– available for sale investment	10	7.0	17.5	-
– amounts receivable from customers	8	1,796.4	1,798.7	1,646.2
– derivative financial instruments	12	-	-	0.4
– cash and cash equivalents		165.4	153.4	148.9
– trade and other receivables		49.0	32.4	50.5
		2,017.8	2,002.0	1,846.0
Total assets	4	2,562.0	2,468.2	2,232.4
LIABILITIES				
Current liabilities				
Financial liabilities:				
– bank and other borrowings		(245.0)	(253.4)	(148.2)
– trade and other payables		(117.7)	(98.3)	(103.8)
Current tax liabilities		(64.8)	(50.5)	(41.4)
		(427.5)	(402.2)	(293.4)
Non-current liabilities				
Financial liabilities:				
– bank and other borrowings		(1,382.4)	(1,342.8)	(1,350.5)
– derivative financial instruments	12	(0.8)	(0.6)	(1.7)
Deferred tax liabilities		(16.9)	(14.9)	(4.7)
		(1,400.1)	(1,358.3)	(1,356.9)
Total liabilities		(1,827.6)	(1,760.5)	(1,650.3)
NET ASSETS	4	734.4	707.7	582.1
SHAREHOLDERS' EQUITY				
Share capital		30.6	30.5	30.5
Share premium		271.2	270.7	268.7
Other reserves		20.1	35.6	17.7
Retained earnings		412.5	370.9	265.2
TOTAL EQUITY		734.4	707.7	582.1

Consolidated statement of changes in shareholders' equity

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2015	30.3	268.3	19.0	295.4	613.0
Profit for the period	-	-	-	88.6	88.6
Other comprehensive income:					
– fair value movements on cash flow hedges	-	-	2.9	-	2.9
– actuarial movements on retirement benefit asset (note 9)	-	-	-	(44.7)	(44.7)
– exchange differences on translation of foreign operations	-	-	-	0.4	0.4
– tax on items taken directly to other comprehensive income	-	-	(0.6)	8.9	8.3
Other comprehensive income for the period	-	-	2.3	(35.4)	(33.1)
Total comprehensive income for the period	-	-	2.3	53.2	55.5
Transactions with owners:					
– issue of share capital	0.2	0.4	-	-	0.6
– purchase of own shares	-	-	(0.2)	-	(0.2)
– transfer of own shares on vesting of share awards	-	-	0.2	(0.2)	-
– share-based payment charge	-	-	5.5	-	5.5
– transfer of share-based payment reserve	-	-	(9.1)	9.1	-
– dividends (note 7)	-	-	-	(92.3)	(92.3)
At 30 June and 1 July 2015	30.5	268.7	17.7	265.2	582.1
Profit for the period	-	-	-	129.6	129.6
Other comprehensive income:					
– fair value movements on cash flow hedges	-	-	0.7	-	0.7
– actuarial movements on retirement benefit asset	-	-	-	39.0	39.0
– fair value movement in available for sale investment	-	-	17.5	-	17.5
– exchange differences on translation of foreign operations	-	-	-	0.3	0.3
– tax on items taken directly to other comprehensive income	-	-	(3.9)	(7.7)	(11.6)
– impact of change in UK tax rate	-	-	(1.1)	0.9	(0.2)
Other comprehensive income for the period	-	-	13.2	32.5	45.7
Total comprehensive income for the period	-	-	13.2	162.1	175.3
Transactions with owners:					
– issue of share capital	-	2.0	-	-	2.0
– purchase of own shares	-	-	(0.1)	-	(0.1)
– transfer of own shares on vesting of share awards	-	-	(0.1)	0.1	-
– share-based payment charge	-	-	5.0	-	5.0
– transfer of share-based payment reserve	-	-	(0.1)	0.1	-
– dividends (note 7)	-	-	-	(56.6)	(56.6)
At 31 December 2015 and 1 January 2016	30.5	270.7	35.6	370.9	707.7
Profit for the period	-	-	-	124.2	124.2
– fair value movements on cash flow hedges	-	-	(0.2)	-	(0.2)
– actuarial movements on retirement benefit asset (note 9)	-	-	-	33.4	33.4
– fair value movement in available for sale investment	-	-	2.7	-	2.7
– gain on available for sale investment recycled to the income statement (note 10)	-	-	(20.2)	-	(20.2)
– exchange differences on translation of foreign operations	-	-	-	(0.7)	(0.7)
– tax on items taken directly to other comprehensive income	-	-	4.8	(6.0)	(1.2)
Other comprehensive income for the period	-	-	(12.9)	26.7	13.8
Total comprehensive income for the period	-	-	(12.9)	150.9	138.0
Transactions with owners:					
– issue of share capital	0.1	0.5	-	-	0.6
– purchase of own shares	-	-	(0.1)	-	(0.1)
– transfer of own shares on vesting of share awards	-	-	0.1	(0.1)	-
– share-based payment charge	-	-	6.0	-	6.0
– transfer of share-based payment reserve	-	-	(8.6)	8.6	-
– dividends (note 7)	-	-	-	(117.8)	(117.8)
At 30 June 2016	30.6	271.2	20.1	412.5	734.4

Consolidated statement of cash flows

	Note	Six months ended 30 June 2016 £m	2015 £m
Cash flows from operating activities			
Cash generated from operations	11	164.0	162.8
Finance costs paid		(36.6)	(39.9)
Tax paid		(26.1)	(22.1)
Net cash generated from operating activities		101.3	100.8
Cash flows from investing activities			
Purchase of intangible assets		(5.8)	(6.9)
Purchase of property, plant and equipment		(5.0)	(5.0)
Proceeds from disposal of property, plant and equipment		0.3	0.6
Proceeds from disposal of available for sale investment	10	12.2	-
Net cash generated from/(used in) investing activities		1.7	(11.3)
Cash flows from financing activities			
Proceeds from bank and other borrowings		134.7	213.1
Repayment of bank and other borrowings		(98.2)	(205.7)
Dividends paid to company shareholders	7	(117.8)	(92.3)
Proceeds from issue of share capital		0.6	0.6
Purchase of own shares		(0.1)	(0.2)
Net cash used in financing activities		(80.8)	(84.5)
Net increase in cash, cash equivalents and overdrafts		22.2	5.0
Cash, cash equivalents and overdrafts at beginning of period		139.3	140.7
Cash, cash equivalents and overdrafts at end of period		161.5	145.7
Cash, cash equivalents and overdrafts at end of period comprise:			
Cash at bank and in hand		165.4	148.9
Overdrafts (held in bank and other borrowings)		(3.9)	(3.2)
Total cash, cash equivalents and overdrafts		161.5	145.7

Cash at bank and in hand includes £141.1m (2015: £118.0m) in respect of the liquid assets buffer, including other liquidity resources, held by Vanquis Bank in accordance with the PRA's liquidity regime. This buffer is not available to finance the group's day-to-day operations.

Notes to the unaudited condensed interim financial statements

1. General information

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

The company is listed on the London Stock Exchange.

The unaudited condensed interim financial statements do not constitute the statutory financial statements of the group within the meaning of section 434 of the Companies Act 2006. The statutory financial statements for the year ended 31 December 2015 were approved by the board of directors on 23 February 2016 and have been delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

The unaudited condensed interim financial statements for the six months ended 30 June 2016 have been reviewed, not audited, and were approved by the board of directors on 26 July 2016.

2. Basis of preparation

The unaudited condensed interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The unaudited condensed interim financial statements should be read in conjunction with the statutory financial statements for the year ended 31 December 2015 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The directors have reviewed the group's budgets, plans and cash flow forecasts for 2016 and 2017 together with outline projections for the three subsequent years. Based on this review, they are satisfied that the group has adequate resources to continue to operate for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the unaudited condensed interim financial statements.

3. Accounting policies

The accounting policies applied in preparing the unaudited condensed interim financial statements are consistent with those used in preparing the statutory financial statements for the year ended 31 December 2015.

Taxes on profits in interim periods are accrued using the tax rate that will be applicable to expected total annual profits.

New and amended standards and interpretations need to be adopted in the first interim financial statements issued after their effective date (or date of early adoption). There are no new IFRSs or IFRICs that are effective for the first time for the six months ended 30 June 2016 which have a material impact on the group.

4. Segment reporting

	Revenue		Profit/(loss) before taxation	
	Six months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	£m	£m	£m	£m
Vanquis Bank	280.1	262.9	99.8	86.7
CCD	255.2	268.2	43.5	38.0
Moneybarn	36.3	24.2	13.6	9.4
Central costs	-	-	(8.0)	(7.5)
Total group before amortisation of acquisition intangibles and exceptional items	571.6	555.3	148.9	126.6
Amortisation of acquisition intangibles	-	-	(3.7)	(3.7)
Exceptional items	-	-	20.2	(11.8)
Total group	571.6	555.3	165.4	111.1

Acquisition intangibles represent the fair value of the broker relationships of £75.0m which arose on the acquisition of Moneybarn in August 2014. The intangible asset was calculated based on the discounted cash flows associated with Moneybarn's core broker relationships and is being amortised over an estimated useful life of 10 years. The amortisation charge in the first half of 2016 amounted to £3.7m (2015: £3.7m).

An exceptional credit of £20.2m (2015: £nil) has been recognised in the income statement in the first half of 2016 reflecting the gain made on Vanquis Bank's interest in Visa Europe Ltd following its acquisition by Visa Inc. (see note 10). An exceptional cost of £11.8m was recognised in the first half of 2015 in respect of a business restructuring in CCD. The exceptional cost comprised £13.1m of redundancy costs associated with approximately 500 field managers and field administration employees as a result of the ongoing deployment of technology within CCD and an exceptional pension credit of £1.3m associated with those employees made redundant who were part of the group's defined benefit pension scheme (see note 9).

All of the above activities relate to continuing operations.

Revenue between business segments is not significant.

	Segment assets			Net assets		
	30 June 2016	31 December 2015	30 June 2015	30 June 2016	31 December 2015	30 June 2015
	£m	£m	£m	£m	£m	£m
Vanquis Bank	1,449.6	1,423.0	1,292.9	363.0	355.1	324.6
CCD	577.0	597.9	562.3	138.6	134.6	140.9
Moneybarn	286.2	237.4	204.5	27.7	16.3	10.8
Central	298.7	286.1	180.5	205.1	201.7	105.8
Total before intra-group elimination	2,611.5	2,544.4	2,240.2	734.4	707.7	582.1
Intra-group elimination	(49.5)	(76.2)	(7.8)	-	-	-
Total group	2,562.0	2,468.2	2,232.4	734.4	707.7	582.1

Segment net assets reflect the statutory basis of the companies forming the group's business segments adjusted to assume repayment of intra-group balances and rebasing of the borrowings of CCD to reflect a borrowings to receivables ratio of 80%. The impact of this is an increase in the notional allocation of group borrowings to CCD of £49.5m (31 December 2015: £76.2m, 30 June 2015: £7.8m) and an increase in the notional cash allocated to central activities of the same amount. The intra-group elimination adjustment removes this notional allocation to state borrowings and cash on a consolidated group basis.

4. Segment reporting (continued)

The group's businesses operate principally in the UK and Republic of Ireland. Vanquis Bank established a branch in Poland as part of a pilot credit card operation during the first half of 2012. A decision was taken to withdraw from the pilot operation in early 2015 and the receivables book was sold to a third party with the economic interest transferring from 1 April 2015. The revenue in respect of the branch in the first half of 2015 up until the point at which the economic interest was transferred amounted to £1.8m and the loss amounted to £1.8m. These figures are included within the Vanquis Bank figures in the tables above. There were no assets or liabilities associated with the branch on 30 June 2016, 31 December 2015 or 30 June 2015.

5. Tax charge

The tax charge for the period has been calculated by applying the directors' best estimate of the effective tax rate for the financial year of 24.40% (2015: 20.25%), to the profit before tax, amortisation of acquisition intangibles and exceptional items for the period. The increase in the rate reflects the impact of the bank corporation tax surcharge of 8% which came into force on 1 January 2016 and applies to Vanquis Bank profits in excess of £25m, partly offset by the reduction in the mainstream UK corporation tax rate from 21% to 20% which was effective from 1 April 2015.

6. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to equity shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted for treasury shares (own shares held). Diluted earnings per share calculates the effect on earnings per share assuming conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are calculated as follows:

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

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

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

	Six months ended 30 June					
	2016			2015		
	Earnings £m	Weighted average number of shares m	Per share amount pence	Earnings £m	Weighted average number of shares m	Per share amount pence
Earnings per share						
Shares in issue during the period		147.5			146.8	
Own shares held		(3.0)			(3.4)	
Basic earnings per share	124.2	144.5	86.0	88.6	143.4	61.8
Dilutive effect of share options and awards	-	1.9	(1.2)	-	2.1	(0.9)
Diluted earnings per share	124.2	146.4	84.8	88.6	145.5	60.9

6. Earnings per share (continued)

The directors have elected to show an adjusted earnings per share prior to the amortisation of acquisition intangibles which arose on the acquisition of Moneybarn in August 2014 (see note 4) and prior to exceptional items (see note 4). This is presented to show the earnings per share generated by the group's underlying operations. A reconciliation of basic and diluted earnings per share to adjusted basic and diluted earnings per share is as follows:

	Six months ended 30 June					
		2016			2015	
	Earnings £m	Weighted average number of shares m	Per share amount pence	Earnings £m	Weighted average number of shares m	Per share amount pence
Basic earnings per share	124.2	144.5	86.0	88.6	143.4	61.8
Amortisation of acquisition intangibles, net of tax	3.0	-	2.0	3.0	-	2.1
Exceptional items, net of tax	(14.6)	-	(10.1)	9.4	-	6.5
Adjusted basic earnings per share	112.6	144.5	77.9	101.0	143.4	70.4
Diluted earnings per share	124.2	146.4	84.8	88.6	145.5	60.9
Amortisation of acquisition intangibles, net of tax	3.0	-	2.1	3.0	-	2.1
Exceptional items, net of tax	(14.6)	-	(10.0)	9.4	-	6.4
Adjusted diluted earnings per share	112.6	146.4	76.9	101.0	145.5	69.4

7. Dividends

		Six months ended 30 June	
		2016 £m	2015 £m
2014 final	- 63.9p per share	-	92.3
2015 final	- 80.9p per share	117.8	-
Dividends paid		117.8	92.3

The directors have declared an interim dividend in respect of the six months ended 30 June 2016 of 43.2p per share (2015: 39.2p) which will amount to an estimated dividend payment of £62.9m (2015: £56.6m). This dividend is not reflected in the balance sheet as it will be paid after the balance sheet date.

8. Amounts receivable from customers

	30 June 2016 £m	31 December 2015 £m	30 June 2015 £m
Vanquis Bank	1,280.8	1,252.0	1,146.9
CCD	510.6	545.1	497.9
Moneybarn	264.4	219.6	186.5
Total group	2,055.8	2,016.7	1,831.3
Analysed as:			
– due in more than one year	259.4	218.0	185.1
– due within one year	1,796.4	1,798.7	1,646.2
Total group	2,055.8	2,016.7	1,831.3

CCD receivables comprise £490.0m in respect of the home credit business (31 December 2015: £522.2m, 30 June 2015: £481.0m), £12.6m in respect of Satsuma (31 December 2015: £12.1m, 30 June 2015: £11.6m) and £8.0m in respect of glo (31 December 2015: £10.8m, 30 June 2015: £5.3m).

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

	Six months ended 30 June	
	2016 £m	2015 £m
Vanquis Bank	80.4	80.5
CCD	70.4	72.1
Moneybarn	7.0	3.4
Total group	157.8	156.0

The Vanquis Bank impairment charge comprises £80.4m in respect of the UK business (2015: £78.9m) and £nil in respect of the Polish pilot operation prior to the transfer of the economic interest to a third party on 1 April 2015 (2015: £1.6m).

Impairment in Vanquis Bank and Moneybarn is deducted from the carrying value of amounts receivable from customers by the use of an allowance account. The Vanquis Bank allowance account as at 30 June 2016 amounted to £245.2m (31 December 2015: £225.0m, 30 June 2015: £200.3m) and the Moneybarn allowance account amounted to £26.2m (31 December 2015: £18.4m, 30 June 2015: £29.4m). Within CCD, impairments are deducted directly from amounts receivable from customers without the use of an allowance account.

9. Retirement benefit asset

The group operates a defined benefit pension scheme: the Provident Financial Staff Pension Scheme. The scheme has been substantially closed to new members since 1 January 2003. The scheme covers 13% of employees with company-provided pension arrangements and is of the funded, defined benefit type.

All future benefits in the scheme are now provided on a 'cash balance' basis, with a defined amount being made available at retirement, based on a percentage of salary that is revalued up to retirement with reference to increases in price inflation. This retirement account is then used to purchase an annuity on the open market. The scheme also provides pension benefits that were accrued in the past on a final salary basis, but which are no longer linked to final salary.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out as at 1 June 2015 by a qualified independent actuary. The valuation used for the purposes of IAS 19 'Employee benefits' has been based on the 2015 valuation updated by the actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at the balance sheet date. Scheme assets are stated at fair value at the balance sheet date.

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

	30 June 2016 £m	31 December 2015 £m	30 June 2015 £m
Fair value of scheme assets	803.5	666.4	659.6
Present value of defined benefit obligation	(702.7)	(604.1)	(642.1)
Net retirement benefit asset recognised in the balance sheet	100.8	62.3	17.5

The amounts recognised in the income statement were as follows:

	Six months ended 30 June	
	2016 £m	2015 £m
Current service cost	(2.0)	(2.6)
Interest on scheme liabilities	(11.1)	(11.8)
Interest on scheme assets	12.4	12.9
Net charge recognised in the income statement before exceptional curtailment credit	(0.7)	(1.5)
Exceptional curtailment credit (note 4)	-	1.3
Net charge recognised in the income statement	(0.7)	(0.2)

The net charge recognised in the income statement has been included within administrative costs.

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

	Six months ended 30 June	
	2016 £m	2015 £m
Fair value of scheme assets at 1 January	666.4	700.1
Interest on scheme assets	12.4	12.9
Actuarial movements on scheme assets	130.8	(50.1)
Contributions by the group	5.8	6.4
Net benefits paid out	(11.9)	(9.7)
Fair value of scheme assets at 30 June	803.5	659.6

9. Retirement benefit asset (continued)

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

	Six months ended 30 June	
	2016	2015
	£m	£m
Present value of defined benefit obligation at 1 January	(604.1)	(644.1)
Current service cost	(2.0)	(2.6)
Interest on scheme liabilities	(11.1)	(11.8)
Exceptional curtailment credit	-	1.3
Actuarial movements on scheme liabilities	(97.4)	5.4
Net benefits paid out	11.9	9.7
Present value of defined benefit obligation at 30 June	(702.7)	(642.1)

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

	30 June 2016	31 December 2015	30 June 2015
	%	%	%
Price inflation – RPI	2.65	3.00	3.20
Price inflation – CPI	1.65	2.00	2.20
Rate of increase to pensions in payment	2.55	2.80	3.00
Inflationary increases to pensions in deferment	1.65	2.00	2.20
Discount rate	2.75	3.75	3.75

A 0.1% change in the discount and inflation rates would change the present value of the defined benefit obligation by approximately £13m (31 December 2015: £11m, 30 June 2015: £14m) and £6m (31 December 2015: £5m, 30 June 2015: £9m) respectively.

The mortality assumptions are based on the self-administered pension scheme (SAPS) series 1 tables, with multipliers of 105% and 115% respectively for males and females. The 5% upwards adjustment to mortality rates for males and a 15% upwards adjustment for females reflects the lower life expectancies within the scheme compared to average pension schemes, which was concluded following a study of the scheme's membership. Future improvements in mortality are based on the Continuous Mortality Investigation (CMI) 2015 model with a long-term improvement trend of 1.25% per annum. Under these mortality assumptions, the life expectancies of members are as follows:

	Male			Female		
	30 June 2016	31 December 2015	30 June 2015	30 June 2016	31 December 2015	30 June 2015
	years	years	years	years	years	years
Current pensioner aged 65	21.7	21.7	22.0	23.3	23.3	23.6
Current member aged 45 from age 65	23.4	23.4	23.8	25.1	25.1	25.5

If assumed life expectancies were one year greater, the net retirement benefit asset would have been reduced by approximately £21m (31 December 2015: £18m, 30 June 2015: £19m).

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

	Six months ended 30 June	
	2016	2015
	£m	£m
Actuarial movements on scheme assets	130.8	(50.1)
Actuarial movements on scheme liabilities	(97.4)	5.4
Actuarial movements recognised in the statement of comprehensive income in the period	33.4	(44.7)

10. Available for sale investment

	30 June 2016 £m	31 December 2015 £m	30 June 2015 £m
Fair value of Visa shares	7.0	17.5	-

On 2 November 2015, Visa Inc. announced the proposed acquisition of Visa Europe Limited to create a single global payments business under the VISA brand. Vanquis Bank was a member and shareholder of Visa Europe and in exchange for its one redeemable ordinary share (previously held at cost of €10) was due to receive a combination of up front consideration in the form of cash, preferred stock in Visa Inc. on completion of the transaction and deferred cash consideration contingent on certain performance thresholds being met. Following announcement of the proposed transaction, Vanquis Bank's interest in Visa Europe was valued at a fair value of £17.5m which reflected the expected upfront cash proceeds and a number of factors and uncertainties relating to the other consideration. The corresponding credit was taken directly to an available for sale reserve within equity.

On 21 June 2016, Visa Inc. completed the acquisition of Visa Europe Limited. The final terms of the transaction resulted in Vanquis Bank receiving cash consideration of €15.9m (£12.2m) on completion, preferred stock with an approximate value of €10.7m and deferred cash consideration of €1.4m due on the third anniversary of the completion date. The preferred stock is convertible into Class A common stock of Visa Inc. at a future date, subject to certain conditions.

Following completion of the transaction in the first half of 2016, the gain taken through equity in 2015 in respect of the Visa Europe shares has been recycled through the income statement together with the £2.7m movement in the fair value of the consideration between the year end and completion of the transaction. This has resulted in an exceptional gain of £20.2m (31 December 2015: £nil, 30 June 2015: £nil) being recognised in the first half of 2016 (see note 4). The fair value of the preferred stock in Visa Inc. held by Vanquis Bank of £7.0m as at 30 June 2016 has been recognised as an available for sale investment and the fair value of the deferred cash consideration of £1.0m has been recognised as a debtor.

The valuation of the preferred stock has been determined using the common stock's value as an approximation as both classes of stock have similar dividend rights. However, adjustments have been made for: (i) illiquidity, as the preferred stock is not tradeable on an open market and can only be transferred to other VISA members; and (ii) future litigation costs which could affect the valuation of the stock prior to conversion.

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

	Six months ended 30 June	
	2016 £m	2015 £m
Profit after taxation	124.2	88.6
Adjusted for:		
– tax charge	41.2	22.5
– finance costs	39.9	40.6
– share-based payment charge	6.0	5.5
– retirement benefit charge before exceptional curtailment credit (note 9)	0.7	1.5
– exceptional gain on available for sale investment (note 10)	(20.2)	-
– exceptional pension curtailment credit (note 9)	-	(1.3)
– amortisation of intangible assets	7.8	6.8
– depreciation of property, plant and equipment	4.5	3.6
– loss on disposal of property, plant and equipment	0.1	-
Changes in operating assets and liabilities:		
– amounts receivable from customers	(38.9)	17.6
– trade and other receivables	(15.6)	(26.0)
– trade and other payables	20.1	9.8
– contributions into the retirement benefit scheme (note 9)	(5.8)	(6.4)
Cash generated from operations	164.0	162.8

12. Fair value disclosures

The group holds the following financial instruments at fair value:

	30 June 2016 £m	31 December 2015 £m	30 June 2015 £m
Recurring fair value measurements:			
Financial assets			
Foreign exchange contracts	-	-	0.4
Total	-	-	0.4
Financial liabilities			
Interest rate swaps	(0.2)	(0.5)	(1.7)
Foreign exchange contracts	(0.6)	(0.1)	-
Total	(0.8)	(0.6)	(1.7)

All financial instruments held at fair value include the use of level 2 inputs as they are not traded in an active market and are valued using discounted contractual cash flows, incorporating interest rates and yield curves observable at commonly quoted intervals and foreign exchange rates as at the balance sheet date. There have been no transfers of assets or liabilities between levels of the fair value hierarchy.

Except as detailed in the following table, the directors consider that the carrying value of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values:

	Carrying value			Fair value		
	30 June 2016 £m	31 December 2015 £m	30 June 2015 £m	30 June 2016 £m	31 December 2015 £m	30 June 2015 £m
Financial assets						
Amounts receivable from customers	2,055.8	2,016.7	1,831.3	3,200.0	3,300.0	2,900.0
Financial liabilities						
Bank and other borrowings	(1,627.4)	(1,596.2)	(1,498.7)	(1,713.5)	(1,673.2)	(1,584.2)

13. Seasonality

The group's peak period of lending to customers is in the lead-up to the Easter holidays in the first half of each financial year and then more significantly in the lead-up to Christmas in the second half of the financial year. Typically, approximately 60% of home credit loans issued by CCD are made in the second half of the financial year and the group's peak borrowing requirement arises in December. In addition, the group's accounting policies relating to revenue and impairment are an important influence on the recognition of the group's profit between the first and second halves of the financial year. The interest income earned on loans and receivables is spread on an effective yield basis over the contractual term of the group's loans and receivables resulting in revenue being split broadly evenly between the first and second halves of the financial year, notwithstanding that the larger proportion of credit is issued in the second half of the financial year. The accounting policy relating to the impairment of customer receivables requires impairments to be recognised only when there is objective evidence of impairment of a customer balance, such as a missed payment. This results in the group's largest impairment charges arising early in each financial year when customers default on loans they received in the lead-up to Christmas. Typically, the first half impairment charge in CCD represents approximately 60% of the full year impairment charge.

The analysis set out above relates to CCD only. Vanquis Bank and Moneybarn are still in growth phases and at this stage of their development the influence of its growth has a much more significant impact on the profits reported by the business during the financial year than the underlying seasonality.

Statement of directors' responsibilities

The directors confirm that, to the best of their knowledge, the unaudited condensed interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- An indication of important events that have occurred during the first six months of the financial year and their impact on the unaudited condensed interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions that have occurred in the first six months of the financial year and any material changes in the related party transactions described in the last annual report and financial statements.

The current directors of Provident Financial plc are listed in the 2015 Annual Report & Financial Statements. There have been no changes in directors during the six months ended 30 June 2016. A list of current directors is also maintained on the Provident Financial website: www.providentfinancial.com.

The maintenance and integrity of the Provident Financial website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the unaudited condensed interim financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of unaudited condensed interim financial statements may differ from legislation in other jurisdictions.

By order of the board

Peter Crook – Chief Executive
26 July 2016

Andrew Fisher – Finance Director

INDEPENDENT REVIEW REPORT TO PROVIDENT FINANCIAL PLC

We have been engaged by the company to review the unaudited condensed interim financial statements in the interim report for the six months ended 30 June 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and related notes 1 to 13. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the unaudited condensed interim financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The unaudited condensed interim financial statements included in this interim report have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the unaudited condensed interim financial statements in the interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the unaudited condensed interim financial statements in the interim report for the six months ended 30 June 2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
26 July 2016

Information for shareholders

1. The interim report will be posted to shareholders on 4 August 2016.

2. The shares will be marked ex-dividend on 27 October 2016.

3. The interim dividend will be paid on 25 November 2016 to shareholders on the register at the close of business on 28 October 2016. Dividend warrants/vouchers will be posted on 23 November 2016.