PROVIDENT FINANCIAL

Provident Financial plc
Preliminary announcement of the final results
for the year ended 31 December 2005

H I G H L I G H T S

Provident Financial is a leading international group providing home credit, credit cards and motor insurance with 3.9 million customers in the UK, Republic of Ireland, Central Europe and Mexico.

Key financial results
The table below shows the results of the ongoing group, before the trading losses and closure costs of Yes Car Credit, and for the group as a whole:

	2005	2004	Percentage change
Ongoing operations			
Group revenue	**£1,110.0m**	£1,000.3m	+11.0%
Profit before tax	**£206.0m**	£208.2m	-1.1%
Earnings per share	**57.18p**	57.74p	-1.0%
Full year dividend per share	**35.43p**	34.40p	+ 3.0%
Reported			
Group revenue	**£1,337.5m**	£1,272.4m	+5.1%
Profit before tax	**£40.4m**	£205.5m	-80.3%
Earnings per share	**Nil**	57.00p	-100.0%
Full year dividend per share	**35.43p**	34.40p	+ 3.0%

Results key points

- Increased investment of £18.8m in start-up losses in Mexico and Vanquis Bank reduces pre-tax profit from ongoing operations by 1.1% to £206.0m
- International pre-tax profit up 28% to £51.1m (2004 £39.8m)
- UK home credit pre-tax profit of £146.3m (2004 £154.0m)
- Motor insurance pre-tax profit up 16% to £40.0m (2004 £34.6m)
- Investment in start-up losses in Vanquis Bank of £15.9m (2004 £9.0m)
- Mexico performing well – target annual pre-tax profit raised to £30 per customer
- Romanian pilot now in progress
- Yes Car Credit business closed with combined pre-tax trading losses and closure costs of £165.6m

Strategic Developments

- Group at early stages of considering a separate listing for its international business to capture growth opportunities more quickly

John van Kuffeler, Chairman, commented:

"While UK home credit is an excellent, cash-generative business, we see attractive prospects for continued expansion internationally in our existing markets and in new countries. Because our successful organic growth model involves investment in start-up losses, which depress short term profits, we are at the early stages of considering whether obtaining a separate listing for international, in due course, would allow the international growth opportunity to be captured more quickly. The intention is to maximise shareholder value in the near and longer term. An update will be given with our interim results in September."

John van Kuffeler
Chairman
8 March 2006

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Chairman's statement

Revenue growth from ongoing operations in 2005 was strong and increased 11.0% to £1,110 million with customer receivables up by 12.3% to £1,039 million. However, due to investments totalling £18.8 million (2004 £11.2 million) in start-up losses at Vanquis Bank and in Mexico, profit before tax from ongoing businesses of £206.0 million was 1.1% lower than in the previous year (2004 £208.2 million) and earnings per share on the same basis reduced by 1.0% to 57.18p (2004 57.74p).

We announced in December 2005 the closure of the car sales and financing activities of Yes Car Credit. This business incurred a pre-tax loss of £165.6 million in 2005, comprising trading losses of £24.6 million, closure costs of £50.0 million and a goodwill write-off of £91.0 million. Profit before tax and after Yes Car Credit was £40.4 million (2004 £205.5 million). Earnings per share on the same basis were nil (2004 57.00p).

The directors recommend a final dividend of 21.37p (2004 20.75p), giving a total dividend for the year of 35.43p per share (2004 34.40p), an increase of 3.0% for the year.

Operations

UK consumer credit division

UK home credit

As expected, conditions in the UK home credit sector continued to be challenging with strong competition, particularly from banks and credit cards, and a tougher credit environment resulting from pressure on customers' disposable incomes. Customer numbers have been reducing since 2002 as a result of increased competition, together with actions to eliminate unprofitable sources of customers, and this trend continued in 2005 with a further reduction of 2.7% to 1.49 million. This was better than we had expected because of the success of customer recruitment initiatives in the final quarter of the year. However, despite reduced customer numbers, credit issued rose by 3.7% to £927 million and average net customer receivables increased by 4% to £559 million with a corresponding 3.7% increase in revenue to £579 million. This reflects the success of our increased focus on the issue of larger loans repaid over 18 months or two years. These loans meet the needs of established, lower risk customers for larger sums of credit, typically of around £1,000, repaid at a manageable weekly rate. The proportion of our credit issued on these new products increased from 4% in 2004 to 14% in 2005.

As a result of increased pressure on our customers' disposable incomes from rising fuel and utility prices, collections performance reduced, mainly during the second half of the year. This caused the impairment charge to rise by 11.6% to £172 million. The bad debt charge measured under UK GAAP remains the best measure of credit quality and this displayed a similar trend with bad debt as a percentage of credit issued increasing from 9.7% for 2004 to 10.4% for 2005. Costs increased in line with revenue, up by 4.2% to £261.0 million. Profit before tax reduced by 5.0% to £146.3 million (2004 £154.0 million).

Vanquis Bank

Vanquis Bank was established to provide credit cards tailored to the needs of customers on average and below average incomes. After a period of market testing a full product launch in the UK commenced in January 2005. The business performed broadly as planned during 2005 although the tougher UK credit environment caused impairment charges to be higher than expected. In response, underwriting criteria were tightened early in the second half of the year which slowed growth in customer numbers and customer receivables. Nonetheless, over the course of the year customer numbers increased by 84,000 to 160,000 and net customer receivables rose by £34 million to £60 million. The loss before tax for the year was £15.9 million (2004 £9.0 million), reflecting investment in infrastructure, customer acquisition costs and impairment charges, which are higher in the early stages of building customer relationships.

Yes Car Credit

As announced in the trading update of 14 December 2005, following a strategic review of Yes Car Credit it was concluded that the business was no longer viable. Increased competition from motor dealers for sub-prime finance customers together with regulatory changes that had reduced sales of insurance products resulted in operating conditions that were very different from when the business was acquired. Accordingly the motor sales and financing activity of Yes Car Credit ceased in December 2005, all branches were closed and the majority of employees made redundant. Provision was made in the 2005 financial statements for the cost of closure, including redundancy costs, losses on the disposal of vehicle stock and fixed assets, the cost of exiting property leases and additional impairment provisions to customer receivables to allow for the estimated impact of closure on collections performance. The net amount of customer receivables outstanding at the end of 2005 was £235 million. We have a team focused and incentivised on successfully collecting out these receivables and during the early months of this year collections have progressed well. We estimate that costs of collection will broadly match the revenue earned and so there will be no material profit or loss over the period during which the receivables are collected.

International division

Percentage growth figures for credit issued, average net customer receivables, revenue, impairment and costs are calculated after restating prior year figures at the current year average exchange rate in order to present a like-for-like comparison.

The international division continued to grow rapidly. Customer numbers increased by 14% to 1.8 million and credit issued rose by 15% to £545 million. Average net customer receivables grew by 21% to £280 million and revenue rose correspondingly, up by 21% to £359 million. Strong receivables growth together with a reduction in collections performance in Poland caused a 37% increase in the impairment charge to £133 million. However the division continues to become more efficient as it grows and so costs increased by just 12% to £175 million. Profit before tax increased substantially, up by 28% to £51.1 million (2004 £39.8 million).

Central Europe

Central Europe produced good growth in 2005 with strong performances from the Czech Republic, Hungary and Slovakia more than offsetting a subdued performance in Poland. Customer numbers increased by 8% to 1.65 million, exceeding the initial target we set in 1999, and credit issued increased by 11% to £522 million. Average net customer receivables rose by 19% to £275 million and this led to an 18% increase in revenue to £348 million. In Poland, we responded to a reduction in collections performance and corresponding rise in the impairment charge by tightening our lending criteria. This action slowed growth and allowed us to focus our efforts on collections. It has now begun to yield benefits. Impairment charges for Central Europe rose by 34% to £129 million with UK GAAP bad debt as a percentage of credit issued rising from 9.0% for 2004 to 12.2% in 2005. Profit before tax increased strongly, up 22% to £64.2 million (2004 £52.6 million) and is progressing well towards our target of £95 million.

Mexico
Mexico has performed well and at this stage of its development represents our fastest new country start-up. Our key focus during 2005 was the expansion of the branch infrastructure and customer base in the Puebla-Veracruz region – an area with a 20 million population. This has progressed well and we now have 14 branches in that region. In December 2005, we established a second operation in Leon to develop simultaneously the Guadalajara-Leon region of Mexico, which also has a 20 million population. During the year, customer numbers increased by 96,000 to 131,000 and credit issued by £18 million to £23 million. Credit quality is good and the start-up loss for the year was a little lower than expected at £2.9 million (2004 £2.2 million). Overall, our experience in Mexico has been very positive and we now expect that at maturity we will achieve profit per customer of £30 per annum, £10 per customer higher than our previous estimate.

Romania
In December 2005, we announced our intention to open a pilot operation in Romania, a country with excellent potential and a population of 22 million people. We have opened an office in Bucharest, installed a management team, obtained the necessary licence to trade and have now started to recruit employees.

Motor insurance division

The motor insurance division delivered a record profit in a UK motor insurance market that remained competitive during 2005. Average premiums continued to fall, with market rates down by approximately 2%. We maintained our policy of pricing for an adequate return on equity and so held our premium rates. Policyholder numbers fell by 6% during the year to 473,000 and gross written premiums reduced correspondingly by 6% to £155 million. Provisions for claims costs, particularly from earlier years' claims, have continued to develop favourably with the result that underwriting profit increased from £11.3 million to £18.4 million. Income earned on the investment fund, held to meet the cost of future claims, was £21.6 million (2004 £23.3 million). Profit before tax increased by 16% to a record high of £40.0 million (2004 £34.6 million).

Regulatory developments

The Competition Commission inquiry into the UK home credit sector continues. Following the publication of its 'emerging thinking' document in October 2005 we have provided further evidence to the Commission demonstrating the increasingly competitive nature of the market for the supply of small sum credit in which we operate, low barriers to entry and high levels of customer satisfaction. The Commission is scheduled to publish its 'provisional findings' in March/April 2006 and the inquiry is expected to conclude in July 2006.

In Poland, a new law establishing a maximum interest rate at four times the Lombard rate was introduced in August 2005. This became effective for loans issued from 20 February 2006. We developed a revised offer to meet both customer needs and the requirement of the new law which was successfully introduced to approximately 30% of customers by the end of 2005. All credit issued since 7 February 2006 has been issued on the new product. The standard outgoing home credit product bundled all elements of the service into a simple, single fixed charge. The new product includes three main heads of charge; interest, credit insurance and an optional home collection charge. For the customer who selects all these options the cost of the product is similar to the old product. To date our experience suggests that the majority of customers value highly each element of the product and particularly the convenience of agent collection.

In the UK, the Consumer Credit Bill, which amends the 1974 Consumer Credit Act, is in the final stages of the parliamentary process and is expected to pass into law in 2006. We welcome this bill which is designed to protect consumers and create a fairer, more competitive credit market.

Management

We announced in January that David Swann, managing director of our international division, is to retire at the AGM in May after 33 years service; that John Harnett is to succeed David Swann as managing director of the international division and that Andrew Fisher is to join the board as finance director, having previously been the finance director at Premier Farnell for eleven years.

In addition, Peter Crook will today join the board, with responsibility for UK home credit. Peter who is 42 years of age, was the UK managing director of Barclaycard between 2000 and 2005 and has extensive experience of consumer credit. He joined Provident in September 2005 as managing director of UK home credit.

Prospects for 2006

UK home credit

UK home credit is the leading provider of home credit in the UK and succeeds because it is focused on meeting customers needs and so achieves consistently high levels of customer satisfaction. It is an excellent and cash generative business.

The UK home credit sector is expected to remain competitive with the current, tougher credit environment sustained by continued pressure on customers' disposable incomes. In recent months, we have improved the systems we use to identify unprofitable, higher risk new customers and during 2006 these will be deployed. We expect this will allow us to better manage credit risk and will benefit the impairment charge but at the same time will reduce the number of new customers we recruit. The success of our marketing initiatives in the final quarter of 2005 gives us confidence that we can offset this by more active marketing but overall we continue to expect a small net reduction in customer numbers during 2006.

In 2005, credit issued grew because of the success of larger loans repaid over 18 or 24 months. Customers who took out longer-term loans in 2005 will typically not want another until the first loans have run their course. As a result, the rise in credit issued in 2005 is unlikely to be repeated in 2006 and credit issued, customer receivables and revenue are likely to reduce in line with customer numbers. Overhead costs are being actively managed and during the course of 2006, we intend to combine the back office and field operations of Provident Personal Credit and Greenwood Personal Credit to reduce the administrative and operating costs associated with managing two home collected credit brands. During 2005, we successfully trialled hand held personal computers for our agents and field staff. The results suggest that these devices will improve our administrative efficiency and make our agents more effective and so, in 2006, we will fully develop this solution with the aim of introducing them during 2007. The costs of these new initiatives together with increased marketing expenditure will cause overhead costs to rise a little during 2006. Overall, we expect a reduction in profit in 2006 in line with market expectations.

Vanquis Bank

Vanquis Bank is expected to continue to increase its customer numbers and customer receivables during 2006. Whilst new business strain from customer acquisition costs and high early impairment charges will remain significant, its impact will be diluted by the increasing proportion of revenue earned from the maturing customer portfolio. In addition, overhead cost per customer will fall as the scale of the business continues to grow. We therefore continue to expect a reduced loss in 2006, with a much stronger performance in the second half of the year than in the first half, and profit in 2007.

International division

Our strategy of international growth has been very successful and has delivered substantial shareholder value. From its establishment in 1997 the division has grown rapidly, breaking even in 2002 and earning profit before tax of £51.1 million in 2005. In Central Europe during 2005, we passed our target of 1.6 million customers and we are well on the way to achieving our Central European annual profit target of £95 million. We intend to continue this success by expanding into new overseas markets and in 2006 the international division will make a substantial investment of £12 million in developing new markets. This will comprise a pilot operation in Romania costing £3 million and the rapid expansion in two major regions in Mexico with a start-up loss of approximately £9 million. We have divided Mexico into five regions, each having a population of about 20 million people and we are now targeting at maturity 3 million customers yielding an annual pre-tax profit per customer of £30. This makes Mexico an important market with the potential for an annual pre-tax profit of £90 million. We will enter the remaining three regions over the coming three to four years and expect Mexico as a whole to be profitable in 2008. We expect our established market in Central Europe will continue to deliver good growth in 2006 and we expect a stronger performance in the second half as the benefits of improvements made to the Polish business feed through.

For some time it has been our intention to broaden the range of credit products we offer in order to take advantage of the well established brands and infrastructure we have in these fast growing, international credit markets. During 2005, we trialled both a monthly home collected loan product and a remotely collected loan product in Poland; the latter being supported by the skills and systems of Vanquis Bank. This has proved successful and during 2006 we intend to pilot these products on a larger scale in Poland. In due course, if this is successful, we envisage introducing these products to our other international markets.

Overall, profit from the international division is likely to reduce a little as a result of the investment in start-up losses and new product development costs, before growth recommences in 2007.

Motor insurance division

We expect market conditions to be similar to 2005 with policyholder numbers and gross written premiums continuing to drift downwards. The favourable development of claims costs provisions is likely to continue but is expected to deliver a smaller benefit than in 2005 with the result that profit is expected to reduce from the current record level.

Group outlook

In recent years the small sum credit market in the UK has become increasingly competitive. We have responded by raising the efficiency of our UK home credit business and by improving the service we offer our customers. We have clear plans to continue to improve our operating efficiencies and our service to customers and so we expect this to remain an excellent, cash-generative business.

We have also sought new opportunities for growth by expanding into overseas markets and broadening our range of credit products. International expansion has already been very successful and created substantial shareholder value and we expect the new credit products delivered through Vanquis Bank will also add to shareholder value.

We expect the group will remain strongly cash and capital generative and that this will continue to support our progressive dividend policy.

We see excellent prospects for continued international expansion in existing markets and in new countries. However, our successful organic growth model involves investment start-up losses which depress short term profits. We are, therefore, at the early stages of considering whether obtaining a separate listing for international, in due course, would allow the international growth opportunity to be captured more quickly. The aim would be to maximise shareholder value in both the near and longer term. We will provide a further update on the results of this review with our interim results in September.

John van Kuffeler
Chairman
8 March 2006

Consolidated income statement for the year ended 31 December 2005

	Notes	2005 (Unaudited) Ongoing operations £m	2005 (Unaudited) Yes Car Credit (note 3) £m	2005 (Unaudited) Total £m	2004 (Unaudited) Ongoing operations £m	2004 (Unaudited) Yes Car Credit (note 3) £m	2004 (Unaudited) Total £m
Revenue	2	1,110.0	227.5	1,337.5	1,000.3	272.1	1,272.4
Finance income		27.7	-	27.7	27.4	-	27.4
Total income		1,137.7	227.5	1,365.2	1,027.7	272.1	1,299.8
Finance costs		(47.4)	(14.5)	(61.9)	(45.1)	(12.0)	(57.1)
Operating costs		(615.7)	(245.3)	(861.0)	(540.9)	(226.8)	(767.7)
Administrative expenses		(268.6)	(133.3)	(401.9)	(233.5)	(36.0)	(269.5)
Total costs		(931.7)	(393.1)	(1,324.8)	(819.5)	(274.8)	(1,094.3)
Profit before taxation	2	206.0	(165.6)	40.4	208.2	(2.7)	205.5
Tax expense		(60.6)	20.2	(40.4)	(61.9)	0.8	(61.1)
Profit for the year		145.4	(145.4)	-	146.3	(1.9)	144.4

	Notes	Unaudited 2005	Unaudited 2004
Earnings per share			
Basic	4	-	57.00p
Diluted	4	-	56.74p
Dividends per share			
Proposed final dividend	5	21.37p	20.75p
Total dividend in respect of the year	5	35.43p	34.40p
Paid in the year	5	34.81p	33.55p

Consolidated statement of recognised income and expense for the year ended 31 December 2005

	Notes	Unaudited 2005 £m	Unaudited 2004 £m
Profit for the year		-	144.4
Exchange differences on foreign currency translations		2.7	3.9
Net fair value losses – cash flow hedges		(5.0)	(4.9)
Actuarial losses on retirement benefit obligations	10	(20.1)	(34.3)
Tax on items taken directly to equity		7.5	11.9
Net expense recognised directly in equity	11	(14.9)	(23.4)
Total recognised (expense)/income for the year	11	(14.9)	121.0

Consolidated balance sheet as at 31 December 2005

	Notes	Unaudited 2005 £m	Unaudited 2004 £m
ASSETS			
Non-current assets			
Goodwill	6	3.1	87.8
Intangible assets		27.5	19.0
Property, plant and equipment		42.8	41.8
Deferred income tax assets		64.5	67.0
		137.9	215.6
Current assets			
Inventories		7.4	16.6
Financial assets:			
- Amounts receivable from customers:			
- due within one year	7	952.8	990.1
- due in more than one year	7	321.1	210.1
- Derivative financial instruments		9.0	6.7
Trade and other receivables		32.9	29.3
Insurance assets		65.4	90.2
Current income tax assets		0.9	4.0
Cash and cash equivalents		451.9	500.1
		1,841.4	1,847.1
Total assets		1,979.3	2,062.7
LIABILITIES			
Current liabilities			
Financial liabilities:			
- Bank and other borrowings		(35.2)	(35.3)
- Derivative financial instruments		(30.1)	(40.6)
Trade and other payables		(126.0)	(134.9)
Insurance accruals and deferred income	8	(359.2)	(424.9)
Current income tax liabilities		(33.4)	(60.1)
Provisions	9	(16.2)	-
		(600.1)	(695.8)
Non-current liabilities			
Financial liabilities:			
- Bank and other borrowings		(947.7)	(822.4)
Provisions	9	(8.5)	-
Retirement benefit obligations	10	(105.6)	(129.8)
		(1,061.8)	(952.2)
Total liabilities		(1,661.9)	(1,648.0)
NET ASSETS		317.4	414.7
SHAREHOLDERS' EQUITY			
Called-up share capital	11	26.5	26.4
Share premium account	11	107.7	105.5
Other reserves	11	5.5	2.4
Retained earnings	11	177.7	280.4
TOTAL EQUITY	11	317.4	414.7

Consolidated cash flow statement for the year ended 31 December 2005

	Notes	Unaudited 2005 £m	Unaudited 2004 £m
Cash flows from operating activities			
Cash generated from operations		68.2	79.7
Finance costs paid		(60.8)	(53.3)
Finance income received		27.8	27.9
Income tax paid		(53.2)	(54.5)
Net cash used in operating activities		(18.0)	(0.2)
Cash flows from investing activities			
Purchases of property, plant and equipment		(20.9)	(19.7)
Proceeds from sale of property, plant and equipment		3.2	3.3
Purchases of intangible assets		(9.8)	(6.4)
Acquisition of a subsidiary	6	(19.1)	-
Net cash used in investing activities		(46.6)	(22.8)
Cash flows from financing activities			
Proceeds from borrowings		161.8	181.9
Repayment of borrowings		(60.9)	(139.6)
Dividends paid to company shareholders	5	(88.6)	(84.9)
Proceeds from issue of share capital		2.3	4.1
Proceeds from sale of treasury shares		0.7	1.9
Net cash generated from/(used in) financing activities		15.3	(36.6)
Net decrease in cash and cash equivalents		(49.3)	(59.6)
Cash and cash equivalents at beginning of period		493.5	546.0
Exchange gains on cash and cash equivalents		0.2	7.1
Cash and cash equivalents at end of period		444.4	493.5
Cash and cash equivalents at end of period comprise:			
Cash at bank and in hand		54.6	38.4
Short term deposits		397.3	461.7
Cash and cash equivalents		451.9	500.1
Overdrafts (held in borrowings)		(7.5)	(6.6)
		444.4	493.5

The cash and investments held by those businesses that are regulated are required to be strictly segregated from those of the rest of the group and are not available to repay group borrowings. At 31 December 2005 the cash and short term deposits held by the group's regulated businesses amounted to £404.5m (31 December 2004: £469.6m).

Consolidated cash flow statement for the year ended 31 December 2005 (continued)

Reconciliation of profit after taxation to cash flows from operations

	Unaudited 2005 £m	Unaudited 2004 £m
Profit after taxation	-	144.4
Adjusted for:		
Tax expense	40.4	61.1
Finance costs	61.9	57.1
Finance income	(27.7)	(27.4)
Share-based payment charge	3.2	1.4
Depreciation of property, plant and equipment	12.2	10.9
Impairment of property, plant and equipment (note 3)	4.6	-
Amortisation of intangible assets	1.3	0.1
Impairment of goodwill (note 3)	91.0	-
Loss on sale of property, plant and equipment	-	0.1
Changes in operating assets and liabilities:		
Inventories	9.2	(2.0)
Amounts receivable from customers	(67.0)	(120.6)
Trade and other receivables	-	(2.7)
Insurance assets	24.8	17.4
Trade and other payables	0.6	(11.4)
Insurance accruals and deferred income	(65.7)	(38.0)
Retirement benefit obligations	(44.3)	(10.6)
Derivative financial instruments	(1.0)	(0.1)
Provisions	24.7	-
Cash generated from operations	68.2	79.7

Notes to the preliminary announcement

1. Basis of preparation

As a result of the adoption of IAS Regulation EC 1606/2002 on 19 July 2002 by the European Parliament, Provident Financial plc will prepare its consolidated financial statements for the year ended 31 December 2005 in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU) as at 31 December 2005 (EU endorsed IFRS) in order to comply with Article 4 of the EU IAS Regulation. Accordingly, this preliminary announcement has been prepared on the basis of all EU endorsed IFRS together with the Listing Rules of the UK Listing Authority.

For the year ended 31 December 2004, Provident Financial plc prepared its consolidated financial statements in accordance with the UK Companies Act 1985 and applicable UK accounting standards (together UK GAAP). All financial information relating to the year ended 31 December 2004 for the group has been restated from UK GAAP to EU endorsed IFRS (including the adoption of IAS 32 'Financial Instruments: Disclosure and Presentation', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 4 'Insurance Contracts'). Accordingly, the preliminary announcement has not been prepared on a basis consistent with the previous year. A full schedule of accounting policies under IFRS and reconciliations between previously reported UK GAAP results and EU endorsed IFRS were included in the group's 2005 interim report and can be found on the company's website at www.providentfinancial.com.

This preliminary announcement, which has been prepared on the basis set out above, does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for the year ended 31 December 2005 upon which the auditors have still to report, will be delivered to the Registrar of Companies following the company's annual general meeting. The statutory accounts for the year ended 31 December 2004 have been delivered to the Registrar and included an audit report which was unqualified and which did not contain a statement under Section 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

Primary reporting format – business segments

	Revenue		Profit before taxation	
	Unaudited 2005 £m	Unaudited 2004 £m	Unaudited 2005 £m	Unaudited 2004 £m
UK home credit	578.9	558.4	146.3	154.0
Vanquis Bank	17.8	5.9	(15.9)	(9.0)
UK consumer credit	596.7	564.3	130.4	145.0
International	358.6	271.2	51.1	39.8
Motor insurance	154.7	164.8	40.0	34.6
Central	-	-	(15.5)	(11.2)
Total ongoing operations	1,110.0	1,000.3	206.0	208.2
Yes Car Credit (closed business)	227.5	272.1	(24.6)	(2.7)
Closure costs	-	-	(141.0)	-
Total Yes Car Credit	227.5	272.1	(165.6)	(2.7)
Total group	1,337.5	1,272.4	40.4	205.5

Secondary reporting format – geographical segments

	Revenue		Profit before taxation	
	Unaudited 2005 £m	Unaudited 2004 £m	Unaudited 2005 £m	Unaudited 2004 £m
UK and Republic of Ireland	751.4	729.1	144.7	157.8
Central Europe	347.9	269.4	64.2	52.6
Mexico	10.7	1.8	(2.9)	(2.2)
Total ongoing operations	1,110.0	1,000.3	206.0	208.2
Yes Car Credit (closed business) - UK and Republic of Ireland	227.5	272.1	(165.6)	(2.7)
Total group	1,337.5	1,272.4	40.4	205.5

3. Closure of Yes Car Credit

On 14 December 2005, the directors made the decision to close the trading activities of the subsidiaries forming the Yes Car Credit operation. The business ceased selling and financing used vehicles on 14 December 2005.

During the year, Yes Car Credit incurred a loss before taxation and closure costs of £24.6m (2004: £2.7m). After taking account of closure costs of £141.0m (2004: £nil), the reported loss before taxation was £165.6m (2004: £2.7m).

Closure costs can be analysed as follows:

	£m
Goodwill impairment (note 6)	91.0
Provision for onerous property obligations (note 9)	14.9
Additional impairment charge on customer receivables (note 7)	14.4
Provision for redundancy costs (note 9)	10.1
Impairment of property, plant and equipment	4.6
Write down of inventories	2.0
Other	4.0
	141.0

Of the total closure costs, £40.1m has been classified as operating costs and £100.9m has been classified as administrative costs in the consolidated income statement.

The tax credit in respect of closure costs was £12.8m (2004: £nil).

The group will continue to collect out the remaining customer receivables of Yes Car Credit as they fall due over the next four 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.

4. 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 those shares held by the Provident Financial Qualifying Share Ownership Trust and in respect of the Performance Share Plan.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

The directors have elected to show an adjusted earnings per share, excluding the loss after taxation of Yes Car Credit which was closed on 14 December 2005. This is presented to show the earnings per share generated by the group's ongoing operations.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	2005 (Unaudited)			2004 (Unaudited)		
	Earnings £m	Weighted average number of shares m	Per share amount pence	Earnings £m	Weighted average number of shares m	Per share amount pence
Basic EPS	-	254.3	-	144.4	253.4	57.00
Dilutive effect of options	-	0.6	-	-	1.2	(0.26)
Diluted EPS	-	254.9	-	144.4	254.6	56.74
Adjusted EPS						
Basic EPS	-	254.3	-	144.4	253.4	57.00
Loss for the year from Yes Car Credit	145.4	-	57.18	1.9	-	0.74
Adjusted EPS	145.4	254.3	57.18	146.3	253.4	57.74

5. Dividends paid and proposed

	Pence per share	Unaudited 2005 £m	Unaudited 2004 £m
2003 final	– 19.90p	-	50.3
2004 interim	– 13.65p	-	34.6
2004 final	– 20.75p	52.7	-
2005 interim	– 14.06p	35.9	-
Dividends paid		88.6	84.9

The directors are recommending a final dividend in respect of the financial year ended 31 December 2005 of 21.37p per share which will amount to a total dividend payment of £54.6m. If approved by the shareholders at the annual general meeting on 17 May 2006, this dividend will be paid on 26 May 2006 to shareholders who are on the register of members at 7 April 2006. This dividend is not reflected in the balance sheet as at 31 December 2005 as it is subject to shareholder approval.

6. Goodwill

	£m
Cost	
At 1 January 2005	87.8
Additions	6.3
At 31 December 2005	94.1
Accumulated impairment losses	
At 1 January 2005	-
Impairment on closure of Yes Car Credit	91.0
At 31 December 2005	91.0
Net book value at 31 December 2005	3.1
Net book value at 31 December 2004	87.8

During 2005, the contingent consideration in respect of the acquisition of Yes Car Credit was settled for a total amount of £19.1m. The original calculation of goodwill estimated that the settlement would be £12.8m. Accordingly, the additional consideration of £6.3m has been taken to goodwill during the year.

Following the decision of the directors to close the Yes Car Credit operation, the whole of the goodwill in respect of that acquisition, amounting to £91.0m, has been impaired (note 3). The remaining goodwill, amounting to £3.1m, relates to the acquisition of N&N Cheque Encashment Limited in 2001.

7. Amounts receivable from customers

	Unaudited 2005 £m	Unaudited 2004 £m
UK home credit	649.9	613.5
International	328.7	285.1
Vanquis Bank	60.0	26.0
Total ongoing operations	1,038.6	924.6
Yes Car Credit (closed business)	235.3	275.6
Total group	1,273.9	1,200.2
Analysed as:		
- due within one year	952.8	990.1
- due in more than one year	321.1	210.1
	1,273.9	1,200.2

7. Amounts receivable from customers (continued)

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

	Unaudited 2005 £m	Unaudited 2004 £m
UK home credit	171.8	154.0
International	132.4	87.0
Vanquis Bank	12.4	4.0
Total ongoing operations	316.6	245.0
Yes Car Credit (closed business)		
- pre-closure impairment charge	36.8	40.1
- additional impairment on closure (note 3)	14.4	-
	51.2	40.1
Total group	367.8	285.1

The additional impairment on the Yes Car Credit customer receivables arises as a result of the expected deterioration in collections performance following the closure of the business.

8. Insurance accruals and deferred income

	Unaudited 2005 £m	Unaudited 2004 £m
Provision for unpaid insurance claims	284.0	343.4
Unearned insurance premiums	74.8	81.0
Other deferred income	0.4	0.5
	359.2	424.9

The profit before tax of motor insurance for 2005 includes £24.9m (2004: £10.8m) in respect of the release of provisions for prior year claims.

9. Provisions

	Unaudited		
	Onerous property obligations £m	Restructuring provision £m	Total £m
At 1 January 2005	-	-	-
Created in the year (note 3)	14.9	10.1	25.0
Utilised in the year	-	(0.3)	(0.3)
At 31 December 2005	14.9	9.8	24.7

Included in current liabilities	16.2
Included in non-current liabilities	8.5
	24.7

The onerous property obligations relate to the estimated costs of exiting the Yes Car Credit property portfolio. The provision has been calculated by taking into account the full lease term, any sublet income that may be recoverable and the potential for lease assignment. The provision is expected to be utilised over the next three years.

The restructuring provision relates to redundancy and other people related costs following the announcement of the closure of Yes Car Credit on 14 December 2005. The provision covers the redundancy cost of approximately 820 employees and is expected to be fully utilised during 2006.

10. Retirement benefit obligations

The group operates a number of UK based pension schemes. The two major defined benefit schemes are the Provident Financial Senior Pension Scheme ('the senior pension scheme') and the Provident Financial Staff Pension Scheme ('the staff pension scheme'). The schemes cover 79% of employees with company provided pension arrangements and are of the funded, defined benefit type. The assets of the schemes are held in separate, trustee administered funds. The two defined benefit schemes were closed to new members from 1 January 2003.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 1 June 2004 by a qualified independent actuary. The valuation used for the purposes of IAS 19 has been based on these valuations which have been updated by the actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 December 2005. Scheme assets are stated at fair value at 31 December 2005. The major assumptions used by the actuary were:

	Unaudited 2005 %	Unaudited 2004 %
Price inflation	2.80	2.75
Rate of increase in pensionable salaries	4.38	4.34
Rate of increase to pensions in payment	2.80	2.75
Discount rate	4.80	5.40

10. Retirement benefit obligations (continued)

The amounts recognised in the balance sheet are determined as follows:

	Unaudited 2005 £m	Unaudited 2004 £m
Total fair value of scheme assets	331.1	231.4
Present value of funded defined benefit obligations	(436.7)	(361.2)
Net liability recognised in the balance sheet	(105.6)	(129.8)

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

	Unaudited 2005 £m	Unaudited 2004 £m
Defined benefit obligation at 1 January	(361.2)	(299.7)
Current service cost	(7.2)	(7.4)
Interest cost	(19.6)	(16.6)
Contributions paid by scheme participants	(3.8)	(4.0)
Actuarial losses on scheme liabilities	(50.4)	(41.4)
Net benefits paid out	5.5	7.9
Defined benefit obligation at 31 December	(436.7)	(361.2)

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

	Unaudited 2005 £m	Unaudited 2004 £m
Fair value of scheme assets at 1 January	231.4	193.6
Expected return on assets	16.7	14.8
Actuarial gains on scheme assets	30.3	7.1
Contributions by the group	54.4	19.8
Contributions paid by scheme participants	3.8	4.0
Net benefits paid out	(5.5)	(7.9)
Fair value of scheme assets at 31 December	331.1	231.4

During 2005, the group made additional special contributions of £13.0m in May 2005 and £31.0m in December 2005. The group made a further additional special contribution of £102.2m in January 2006 in order to ensure that the defined benefit pension schemes were fully funded based on the June 2005 deficit position (the latter payment will be reflected in the 2006 financial statements). Following these payments, new, more sustainable pension arrangements for future pension accrual have been established that will provide greater certainty as to the cost of pension provision and, in particular, are designed to reduce the volatility of the group's pension costs to changes in wage inflation and longevity. The increase in the group's interest payable after funding the deficit will be broadly offset by a reduction in the IAS 19 pension charge to the group's income statement.

11. Consolidated statement of changes in shareholders' equity

	Unaudited				
	Attributable to equity shareholders of the company				
	Called-up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 January 2004 as previously reported under UK GAAP	26.3	101.5	7.1	314.1	449.0
Changes upon transition to IFRS	-	-	(8.4)	(69.4)	(77.8)
Restated balance under IFRS	26.3	101.5	(1.3)	244.7	371.2
Exchange differences on foreign currency translations	-	-	3.9	-	3.9
Net fair value losses – cash flow hedges	-	-	(4.9)	-	(4.9)
Actuarial losses on retirement benefit obligations	-	-	-	(34.3)	(34.3)
Tax on items taken directly to equity	-	-	1.4	10.5	11.9
Net income/(expense) recognised directly in equity	-	-	0.4	(23.8)	(23.4)
Profit for the period	-	-	-	144.4	144.4
Total recognised income for the period	-	-	0.4	120.6	121.0
Increase in share capital	0.1	-	-	-	0.1
Increase in share premium	-	4.0	-	-	4.0
Movement in treasury shares	-	-	1.9	-	1.9
Share-based payment adjustment to reserves	-	-	1.4	-	1.4
Dividends	-	-	-	(84.9)	(84.9)
Balance at 31 December 2004	26.4	105.5	2.4	280.4	414.7
Balance at 1 January 2005	26.4	105.5	2.4	280.4	414.7
Exchange differences on foreign currency translations	-	-	2.7	-	2.7
Net fair value losses – cash flow hedges	-	-	(5.0)	-	(5.0)
Actuarial losses on retirement benefit obligations	-	-	-	(20.1)	(20.1)
Tax on items taken directly to equity	-	-	1.5	6.0	7.5
Net expense recognised directly in equity	-	-	(0.8)	(14.1)	(14.9)
Profit for the period	-	-	-	-	-
Total recognised expense for the period	-	-	(0.8)	(14.1)	(14.9)
Increase in share capital	0.1	-	-	-	0.1
Increase in share premium	-	2.2	-	-	2.2
Movement in treasury shares	-	-	0.7	-	0.7
Share-based payment adjustment to reserves	-	-	3.2	-	3.2
Dividends	-	-	-	(88.6)	(88.6)
Balance at 31 December 2005	26.5	107.7	5.5	177.7	317.4

Information for shareholders

1. The shares will be marked ex-dividend on 5 April 2006.

2. The final dividend will be paid on 26 May 2006 to shareholders on the register at the close of business on 7 April 2006. Dividend warrants/vouchers will be posted on 24 May 2006.

3. The annual report and financial statements 2005 together with the notice of the annual general meeting will be posted to shareholders on or around 7 April 2006.

4. The Provident Financial Company Nominee Scheme ('the scheme') enables shareholders who are eligible, namely individuals, to take advantage of the CREST system for settling transactions in shares in the company by means of a low-cost dealing service. It includes a dividend reinvestment scheme for those who wish to use this facility. Shareholders who wish to take advantage of the scheme should contact the company's registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (telephone: 0870 162 3100) to request an information pack. The registrar's website is www.capitaregistrars.com.

5. The annual general meeting will be held on 17 May 2006 at the Cedar Court Hotel, Mayo Avenue, off Rooley Lane, Bradford, West Yorkshire, BD5 8HZ.