Provident Financial plc
Interim results for the six months ended 30 June 2010

H I G H L I G H T S

Provident Financial plc is the market-leading provider of home credit in the UK and Ireland, with a successful, developing credit card business. Its operations consist of the Consumer Credit Division and Vanquis Bank.

Key financial results

	H1 2010	H1 2009	Change
Customer numbers	2.3m	2.1m	+7.3%
Average receivables	£1,028.5m	£991.7m	+3.7%
Pre-tax profit	£54.0m	£53.1m	+1.7%
Basic earnings per share	29.5p	29.3p	+0.7%
Interim dividend per share	25.4p	25.4p	-%

Highlights

Group

- Pre-tax profit of £54.0m, ahead of prior year, after absorbing £7.0m attributable to higher funding rates following successful extension of bank facilities and raising of new debt funding.
- Strong balance sheet and liquidity with a gearing ratio of 3.2 times and banking headroom of £328m.
- Interim dividend of 25.4p per share supported by strong capital generation.

Consumer Credit Division

- Pre-tax profit of £49.3m[†] (2009: £52.0m) after absorbing £5.4m attributable to higher funding rates.
- Growth in home credit customer count of 5.4%.
- Granting of credit continues to be tempered by cautious customer behaviour and tight underwriting.
- Credit quality of receivables book remains good, reflecting sound first-half collections performance.
- During a period of lower receivables growth, performance benefiting from early action taken to manage margins and costs which will continue through the second half.

[†] *In order to align the weekly home credit business with the group's financial year, home credit's 2010 financial year will include 53 weeks and the first half of the year is a 27-week period compared with 26 weeks in 2009.*

Vanquis Bank

- Pre-tax profit up by 82.0% to £9.1m (2009: £5.0m) after absorbing £1.6m attributable to higher funding rates.
- New customer growth of 16.1% and average receivables growth of 21.5%.
- Increase in risk-adjusted margin to 31.1% (2009: 30.0%) reflecting strong revenue yield and reduction in delinquency during second quarter.
- Business generating surplus capital and set to reach targeted post-tax return on equity run rate of 30% by end of 2010.
- Tight credit standards to remain in place while there is uncertainty over direction of employment market.

Peter Crook, Chief Executive, commented:

"I am pleased to report half-year results ahead of last year. Whilst home credit customers remain cautious, I am encouraged by the growth in customer numbers of over 5% which will underpin the medium-term growth of the business when market conditions improve. In addition, the early action taken to manage margins and costs is paying off and will provide ongoing benefit through the second half of the year. Vanquis Bank is making excellent progress whilst maintaining a cautious approach to granting new credit. It is expected to achieve the target set three years ago of a post-tax return on equity run rate of 30% by the end of 2010.

The group's balance sheet and liquidity are strong and our plans to deliver good quality growth in 2010 remain on track."

Enquiries:	**Today**	**Thereafter**
Media		
David Stevenson, Provident Financial	020 7404 5959	01274 731111
Gill Ackers/Eilis Murphy, Brunswick	020 7404 5959	020 7404 5959
Investor Relations		
Gary Thompson, Provident Financial	020 7404 5959	01274 731111

Interim report

Group results

The group has reported results for the first half of the year which are in line with management's expectations. In current market conditions, management's approach has been to maintain tight underwriting standards across the group and place a heavy emphasis on managing margins and costs.

Group pre-tax profit was ahead of the prior year at £54.0m (2009: £53.1m). This result was after absorbing £7.0m of additional interest costs attributable to the increase in the group's funding rates following the successful extension of bank facilities and raising of new debt funding over the last 12 months.

The group's funding and liquidity positions remain strong with the balance sheet showing modest gearing of 3.2 times in comparison with a bank covenant of 5.0 times, undrawn committed bank facilities of £328m at the half year and a significant surplus of regulatory capital. In April 2010, the group further diversified its funding base by raising £25m and becoming one of the first to issue a retail bond quoted on the new ORB platform established by the London Stock Exchange.

Vanquis Bank has now reached a level of profitability and scale which means it is contributing to the capital generated by the group to fund dividends. In the 12 months to 30 June 2010, the group generated capital of some £82m before the payment of dividends.

An unchanged interim dividend of 25.4p per share has been declared reflecting the group's policy set out at the time of demerger of the group's international business in 2007 to at least maintain a full-year payment of 63.5p per share whilst moving to a target payout ratio of 80% of post-tax profit in the medium term.

Market conditions

Household incomes for many families in the home credit market have remained under pressure throughout the first half of 2010, impacted by a continued weak employment market, with under-employment resulting from restrictions on working hours and wage rates being the most important factor. Cautious customer behaviour remains the most significant influence in tempering the demand for credit from some existing home credit customers. Management's continued application of tight underwriting standards and additional investment in the field capacity of the business have mitigated much of the potential impact of these difficult conditions on collections, which have remained very stable over the last 12 months. Competition in the home credit market remains unchanged with around 500 active participants in the UK.

Within the non-standard credit card market, Vanquis Bank remains the most active participant. It is experiencing a strong flow of applications and has a significant medium-term growth opportunity. Other issuers have either withdrawn from the sector or remain relatively inactive. Vanquis Bank's customers are typically in full-time employment and therefore the business is more sensitive to changes in unemployment rates which, after rising quite sharply in mid 2009, have been relatively steady since. In contrast to home credit, demand for credit from Vanquis Bank customers is less impacted by the uncertainty caused by under-employment.

At present, management do not see any catalysts for conditions in the employment market to change materially over the remainder of 2010. This is consistent with the group's planning assumptions and guidance for the year. However, the group is mindful of the potential for unemployment to increase as a result of the government's fiscal austerity programme. Consequently, tight underwriting standards will remain in place in both businesses together with a continuing strong emphasis on the management of margins and costs.

Consumer Credit Division

The Consumer Credit Division generated a profit before tax of £49.3m in the six months ended 30 June 2010 (2009: £52.0m) after absorbing £5.4m attributable to higher funding rates.

	Six months ended 30 June 2010	2009	Change
	£m	£m	%
Profit/(loss) before tax:			
Home credit	51.1	54.1	(5.5%)
Real Personal Finance	(1.8)	(2.1)	14.3%
Consumer Credit Division	49.3	52.0	(5.2%)

Home credit

	Six months ended 30 June 2010	2009	Change
	£m	£m	%
Customer numbers ('000)	1,805	1,713	5.4%
Average customer receivables	749.5	753.2	(0.5%)
Revenue	362.3	335.9	7.9%
Impairment	(145.8)	(129.2)	(12.8%)
Revenue less impairment	216.5	206.7	4.7%
*Annualised revenue yield**	*92.4%*	*89.3%*	
*Annualised impairment % revenue***	*33.3%*	*31.2%*	
Costs	(140.8)	(134.0)	(5.1%)
Profit before interest and tax	75.7	72.7	4.1%
Interest	(24.6)	(18.6)	(32.3%)
Profit before tax	51.1	54.1	(5.5%)

** Revenue as a percentage of average receivables for the 12 months ended 30 June.*
*** Impairment as a percentage of revenue for the 12 months ended 30 June.*

The group's planning assumptions and guidance at the start of the year was that home credit customers would continue to experience pressure on their household incomes and consumers would remain cautious throughout 2010. Accordingly, the business planned for relatively low receivables growth with no relaxation of credit standards and a focus on cost efficiency whilst protecting collections and arrears management capacity.

The year-on-year rate of new customer growth in home credit was 5.4% at 30 June 2010. This reflects the success of the customer acquisition programme in autumn 2009 and marketing activity in the first six months of 2010.

Average receivables in the first six months of 2010 were similar to the corresponding period in 2009. This reflects two main influences. Firstly, the careful management of the duration of the loan book to mitigate risk in the current environment and, secondly, a more cautious stance on requesting new credit by some existing customers concerned about their future prospects against the backdrop of pressure on household incomes from unemployment and under-employment. In addition, receivables at the start of the year reflected the impact of the adverse weather conditions on sales in the peak trading weeks in mid-December 2009.

The core 50-week product introduced in late 2009 to replace the old 57-week product is producing the anticipated uplift in revenue yield. The annualised revenue yield increased from 88.7% at 31 December 2009 to 92.4% at 30 June 2010 contributing approximately 4% of the year-on-year revenue growth of 7.9%. The new product is better suited to customers' needs for a loan of a year in duration and allows more effective management of risk in the current environment.

In order to align the weekly home credit business with the group's financial year, home credit's 2010 financial year will include 53 weeks and the first half of the year is a 27-week period compared with 26 weeks in 2009. The additional week has added approximately 4% to revenue, costs and profit in the first half of 2010.

Collections performance in the first half of the year has been in line with plan and consistent with the second half of 2009, resulting in a ratio of annualised impairment to revenue of 33.3%, up from 32.2% at the end of December 2009. This performance reflects the natural resilience of the home credit business model, continued tight underwriting and the investment in front-line collections and arrears management capacity in early 2009. In the absence of any significant change in the external environment, collections performance and impairment are expected to remain around the current level for the remainder of 2010.

Costs in home credit remain tightly controlled and 90 positions were removed from the home credit head office support functions during February. Field collections and arrears management capacity were unaffected by these changes. After allowing for the additional trading week in 2010, cost growth in the first half of 2010 is approximately 1%. Annual pay awards to staff of between 1.0% and 1.5% together with the full-year impact of the investment made in the branch and field infrastructure to reinforce spans of control in the first half of 2009 have been significantly offset by the cost reduction programme. Cost growth for the full year is expected to be held within the rate of inflation.

Profit before interest and tax increased by 4.1% to £75.7m for the six months ended 30 June 2010. Interest costs increased by £6.0m or 32.3% resulting in profit before tax of £51.1m in the first half of 2010 compared with £54.1m in the first half of 2009. The interest cost reflects an uplift of £5.2m due to the increase in the group's funding rate from 6.7% in the first half of 2009 to 8.4% in the first half of 2010 following the senior bond issue in October 2009 and the refinancing of the group's syndicated bank facilities in February 2010. The full-year funding rate is expected to be approximately 8.2% compared with 7.0% in 2009.

Real Personal Finance

Following the decision to focus direct repayment lending on known prospects generated through the home credit branch network, loan products branded Provident Direct and Greenwood Direct will be introduced shortly. Initial volumes are expected to be modest. This re-focussing of the business and associated cost reductions made in February resulted in Real Personal Finance incurring a small loss of £1.8m in the first half of 2010 (2009: loss of £2.1m).

Vanquis Bank

Vanquis Bank generated a profit before tax of £9.1m in the six months ended 30 June 2010 (2009: £5.0m) after absorbing £1.6m attributable to higher funding rates.

	Six months ended 30 June		
	2010	2009	Change
	£m	£m	%
Customer numbers ('000)	483	416	16.1%
Average customer receivables	265.3	218.3	21.5%
Revenue	74.7	60.1	24.3%
Impairment	(33.3)	(28.4)	(17.3%)
Revenue less impairment	41.4	31.7	30.6%
*Annualised risk-adjusted margin**	*31.1%*	*30.0%*	
*Annualised impairment % revenue***	*45.6%*	*44.8%*	
Costs	(23.9)	(21.1)	(13.3%)
Profit before interest and tax	17.5	10.6	65.1%
Interest	(8.4)	(5.6)	(50.0%)
Profit before tax	9.1	5.0	82.0%

** Revenue less impairment as a percentage of average receivables for the 12 months ended 30 June.*
*** Impairment as a percentage of revenue for the 12 months ended 30 June.*

Vanquis Bank has performed strongly in the first half of 2010, with profit growth of 82.0%. The business is now generating sufficient capital to fund its own growth and is on track to reach its target post-tax return on equity run rate of 30% by the end of 2010.

Demand for non-standard credit cards has remained strong and Vanquis Bank has experienced a flow of over 600,000 applications during the first half of 2010. Customer growth was 16.1%, up from 11.2% in the first half of 2009 as a result of a more active customer acquisition programme which was part-funded by securing a reduction in the average acquisition cost per account. However, underwriting standards have remained the same as those applied through the second half of 2009, resulting in a similar acceptance rate of 19%.

Growth in customer numbers together with the credit line increase programme to customers who have established a sound payment history, have led to a 21.5% increase in average receivables and a 24.3% increase in revenue. Returns from this 'low and grow' approach to extending credit remain very good and Vanquis Bank continues to be extremely active in managing the level of credit line utilisation and revenue yield to reflect underlying risk. Utilisation continues to run at between 75% and 80% ensuring that a strong stream of revenue is earned whilst maintaining a relatively low level of contingent undrawn exposure. This contrasts with a typical prime card issuer which operates with lower levels of utilisation and much higher credit limits which generate greater credit loss volatility.

Delinquency rates, which had been stable since mid-2009, improved during the second quarter. This reflects the continued tight underwriting and credit line increase criteria as well as the improvement in the underlying quality of the loan book since the commencement of the progressive tightening of underwriting in mid-2007. This performance demonstrates the effectiveness of Vanquis Bank's credit decisioning in what has been a difficult environment for card issuers. Notwithstanding the recent improvement in delinquency, management is mindful of the potential for unemployment to rise quite sharply as a result of the government's austerity measures. Accordingly, the tight stance on underwriting and credit line increases will remain in place throughout the rest of 2010.

Overall, the strong revenue yield on the receivables book and the improvement in delinquency levels combined to generate an annualised risk-adjusted margin of 31.1%, above Vanquis Bank's target of 30.0%.

Costs continue to be well managed and the cost growth of 13.3% in the first half of 2010 is well below the levels of revenue and receivables growth as the business continues to benefit from increased scale.

Interest costs increased by 50% during the first half of 2010. This reflects both the increase in average receivables levels together with the increase in the average funding rate for the first half of the year from 6.7% in 2009 to 8.4% in 2010.

The competitive landscape for Vanquis Bank continues to remain favourable and the business model has performed well during the economic downturn. In line with the guidance at the start of the year, the business is expected to grow its receivables book from its current level of £281m to around £450m by the end of 2012, whilst maintaining a post-tax return on equity of 30%.

Central costs

Central costs in the first half of the year were £4.1m (2009: £3.6m), up by £0.5m on 2009, due to a budgeted increase in the level of expenditure on the group's community programme and the impact of higher share-based incentives.

Taxation

The tax rate for the first half of 2010 of 28.0% (2009: 28.0%) is the estimated tax rate for the 2010 financial year and is in line with the UK corporation tax rate. The group is expected to benefit in future years from the progressive rate reductions announced in the recent emergency budget.

Dividends

The interim dividend is maintained at 25.4p per share (2009: 25.4p) reflecting the group's policy at the time of the demerger to at least maintain a full-year payment of 63.5p per share whilst moving to a target payout ratio of 80% of post-tax profit in the medium term.

Funding and capital

The group's funding and liquidity positions remain strong with the balance sheet showing modest gearing of 3.2 times at 30 June 2010 (2009: 3.2 times) against a covenant limit of 5.0 times together with a significant surplus of regulatory capital. The group has a senior issuer default rating of BBB+ from Fitch Ratings.

The group's funding strategy over the last 12 months has focussed upon the diversification of its funding base. In April 2010, the group further diversified its funding base by becoming one of the first to issue a retail bond quoted on the new ORB platform established by the London Stock Exchange. This raised £25m through an issue of 10-year bonds at an all-in cost to the group of 7.5%. The successful issuance of both institutional and retail public bonds, together with the extension to the group's syndicated bank facilities in February 2010, provides the group with sufficient committed debt facilities to fund its planned growth until the end of 2011.

As a result of the new facilities secured since last October, the overall funding rate for 2010 is estimated at around 8.2% (2009: 7.0%). However, the timing of the introduction of these new facilities and the seasonality of drawings have resulted in a funding rate for the first half of 2010 of 8.4% (2009: 6.7%) and an estimated rate of around 8.0% for the second half of 2010 (2009: 7.2%). The group's interest cost in the first half of 2010 of £33.8m (2009: £25.2m) showed an increase of £8.6m, of which £7.0m was attributable to the increase in the group's funding rate and £1.6m reflected the growth in Vanquis Bank's receivables and the additional trading week in the home credit business.

The home credit business has been the bedrock of the group's strong capital generation for many years and, as expected, Vanquis Bank has also now become capital generative. In the 12 month period to 30 June 2010, the group generated capital of some £82m before the payment of dividends.

The group's strong capital generation, planned levels of asset growth and dividend policy are all progressing in line with the strategy set out at the time of the demerger. This is expected to result in a medium-term gearing level of around 3.5 times for the group in its current configuration. This level is considered to be appropriate for a strongly-funded and capital generative group in current market conditions and is consistent with the group's policy of remitting 80% of post-tax profits as dividends in the medium term.

Regulation

The Office of Fair Trading (OFT) published its report into the £35bn high-cost consumer credit market on 15 June 2010. The group welcomes the findings of the report which recognises the valuable contribution made by home credit in maintaining the flow of credit to non-standard consumers who are typically less able to access credit from other lenders and may otherwise face financial exclusion.

The report found that complaint levels are low and that lenders do not levy charges on some products when customers miss payments or make late payments. The OFT considered price controls but rejected them on the grounds that they are both impractical and ineffective and would increase the potential for financial exclusion by constraining the supply of cash loans to consumers on lower incomes. The report recommended various measures to help consumers make informed decisions, including the promotion of best practice through an industry wide code of practice and for information on high-cost credit loans to be more readily available on price comparison websites. The group will work with the OFT to help realise these improvements.

The OFT's Irresponsible Lending Guidance to Creditors was published on 31 March 2010. In conjunction with the rest of the credit industry, the group is working towards implementation of those parts of the Guidance not already in force by February 2011 in line together with the EU Directive on Consumer Credit.

The Department for Business Innovation and Skills published the results of its consultation on credit and store card regulation on 15 March 2010. The group is working with the UK Cards Association to implement the findings of the consultation by the end of the year.

Principal risks and uncertainties

A full assessment of the principal risks and uncertainties facing the group, together with the controls and processes which are in place to monitor and mitigate those risks where possible, are set out on pages 38 to 39 of the 2009 annual report and financial statements which is available on the company's website, www.providentfinancial.com.

The principal risks and uncertainties affecting the group for the remaining six months of the 2010 financial year are as follows:

- Home credit and Vanquis Bank have unique characteristics which make them more resilient to changes in economic conditions than more mainstream lenders. Nonetheless, marked increases in unemployment and under-employment arising from the government's austerity measures may lead to higher than expected impairment charges.
- Existing home credit customers continue to display caution against the backdrop of pressure on household incomes from unemployment and under-employment. A weakening of demand may result in lower than expected receivables growth in the important peak Christmas trading period.

Related party transactions

There have been no changes in the nature of related party transactions as described in note 28 to the 2009 annual report and 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 2010.

Summary and outlook

The group has reported half-year results ahead of the prior year and in line with management's expectations.

As anticipated, notwithstanding the 5% growth in customer numbers, demand for home credit continues to reflect cautious behaviour from some customers in the context of an employment market which is unlikely to change in the near future. The group is also mindful of the potential for unemployment to increase as a result of the government's fiscal austerity programme. Accordingly, the strong focus on asset quality and careful management of margins and costs is proving to be the right approach.

Vanquis Bank is generating excellent growth and returns which are consistent with achieving its target of a 30% post-tax return on equity run rate by the end of 2010.

The group's balance sheet and liquidity are strong and the plans to deliver good quality growth for the full year remain on track.

Condensed consolidated interim financial information

Consolidated income statement

	Note	Six months ended 30 June 2010 £m	2009 £m
Continuing operations			
Revenue	4	440.0	401.2
Finance costs		(33.8)	(25.2)
Operating costs		(251.3)	(229.7)
Administrative expenses		(100.9)	(93.2)
Total costs		(386.0)	(348.1)
Profit before taxation	4	54.0	53.1
Tax charge	5	(15.1)	(14.9)
Profit for the period attributable to equity shareholders		38.9	38.2

Consolidated statement of comprehensive income

	Note	Six months ended 30 June 2010 £m	2009 £m
Profit for the period attributable to equity shareholders		38.9	38.2
Other comprehensive income:			
– cash flow hedges		1.2	(4.4)
– actuarial movements on retirement benefit asset	9	(22.0)	(43.8)
– tax on other comprehensive income		5.9	13.5
Other comprehensive income for the period		(14.9)	(34.7)
Total comprehensive income for the period		24.0	3.5

	Note	Six months ended 30 June 2010 Pence	2009 Pence
Earnings per share			
Basic	6	29.5	29.3
Diluted	6	29.4	29.2
Dividends per share			
Proposed interim dividend	7	25.4	25.4
Paid in the period*	7	38.1	38.1

* The total cost of dividends paid in the period was £51.0m (six months ended 30 June 2009: £50.6m).

Consolidated balance sheet

	Note	30 June 2010 £m	31 December 2009 £m	30 June 2009 £m
ASSETS				
Non-current assets				
Goodwill		2.1	2.1	-
Other intangible assets		19.2	19.5	17.3
Property, plant and equipment		27.4	26.3	26.8
Financial assets:				
– amounts receivable from customers	8	68.9	86.9	77.5
– derivative financial instruments		21.1	12.5	13.5
Retirement benefit asset	9	1.0	19.9	10.6
Deferred tax assets		7.7	7.7	10.5
		147.4	174.9	156.2
Current assets				
Financial assets:				
– amounts receivable from customers	8	970.8	1,052.4	934.0
– derivative financial instruments		0.4	-	0.1
– cash and cash equivalents		27.0	20.3	24.0
– trade and other receivables		22.0	28.2	18.0
		1,020.2	1,100.9	976.1
Total assets	4	1,167.6	1,275.8	1,132.3
LIABILITIES				
Current liabilities				
Financial liabilities:				
– bank and other borrowings		(145.7)	(72.7)	(93.9)
– derivative financial instruments		(5.8)	(18.4)	(10.1)
– trade and other payables		(40.1)	(48.0)	(42.8)
Current tax liabilities		(30.9)	(39.2)	(29.2)
Provisions		(0.2)	(0.8)	(0.8)
		(222.7)	(179.1)	(176.8)
Non-current liabilities				
Financial liabilities:				
– bank and other borrowings		(682.4)	(817.6)	(697.7)
– derivative financial instruments		(18.2)	(10.7)	(20.2)
Provisions		-	-	(0.8)
		(700.6)	(828.3)	(718.7)
Total liabilities		(923.3)	(1,007.4)	(895.5)
NET ASSETS	4	244.3	268.4	236.8
SHAREHOLDERS’ EQUITY				
Called-up share capital		28.1	27.9	27.4
Share premium account		142.5	142.4	138.5
Other reserves		(9.5)	(13.0)	(18.1)
Retained earnings		83.2	111.1	89.0
TOTAL EQUITY		244.3	268.4	236.8

Consolidated statement of changes in shareholders' equity

	Note	Called-up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2009		27.3	134.6	(16.3)	132.3	277.9
Profit for the period		-	-	-	38.2	38.2
Other comprehensive income:						
– cash flow hedges		-	-	(4.4)	-	(4.4)
– actuarial movements on retirement benefit asset	9	-	-	-	(43.8)	(43.8)
– tax on other comprehensive income		-	-	1.2	12.3	13.5
Other comprehensive income for the period		-	-	(3.2)	(31.5)	(34.7)
Total comprehensive income for the period		-	-	(3.2)	6.7	3.5
Transactions with owners:						
– issue of share capital		0.1	3.9	-	-	4.0
– purchase of own shares		-	-	(0.6)	-	(0.6)
– share-based payment charge		-	-	2.9	-	2.9
– transfer of share-based payment reserve		-	-	(0.9)	0.9	-
– deferred tax on share-based payment reserve transfer		-	-	-	(0.3)	(0.3)
– dividends	7	-	-	-	(50.6)	(50.6)
At 30 June 2009		27.4	138.5	(18.1)	89.0	236.8
At 1 July 2009		27.4	138.5	(18.1)	89.0	236.8
Profit for the period		-	-	-	50.4	50.4
Other comprehensive income:						
– cash flow hedges		-	-	3.6	-	3.6
– actuarial movements on retirement benefit asset		-	-	-	6.5	6.5
– tax on other comprehensive income		-	-	(1.0)	(1.9)	(2.9)
Other comprehensive income for the period		-	-	2.6	4.6	7.2
Total comprehensive income for the period		-	-	2.6	55.0	57.6
Transactions with owners:						
– issue of share capital		0.5	3.9	-	-	4.4
– purchase of own shares		-	-	(0.3)	-	(0.3)
– share-based payment charge		-	-	3.2	-	3.2
– transfer of share-based payment reserve		-	-	(0.4)	0.4	-
– deferred tax on share-based payment reserve transfer		-	-	-	0.2	0.2
– dividends		-	-	-	(33.5)	(33.5)
At 31 December 2009		27.9	142.4	(13.0)	111.1	268.4
At 1 January 2010		27.9	142.4	(13.0)	111.1	268.4
Profit for the period		-	-	-	38.9	38.9
Other comprehensive income:						
– cash flow hedges		-	-	1.2	-	1.2
– actuarial movements on retirement benefit asset	9	-	-	-	(22.0)	(22.0)
– tax on other comprehensive income		-	-	(0.3)	6.2	5.9
Other comprehensive income for the period		-	-	0.9	(15.8)	(14.9)
Total comprehensive income for the period		-	-	0.9	23.1	24.0
Transactions with owners:						
– issue of share capital		0.2	0.1	-	-	0.3
– purchase of own shares		-	-	(0.1)	-	(0.1)
– share-based payment charge		-	-	2.7	-	2.7
– dividends	7	-	-	-	(51.0)	(51.0)
At 30 June 2010		28.1	142.5	(9.5)	83.2	244.3

Consolidated statement of cash flows

	Note	Six months ended 30 June 2010 £m	2009 £m
Cash flows from operations			
Cash generated from operations	10	191.3	116.8
Finance costs paid		(34.2)	(28.1)
Tax paid		(17.5)	(16.3)
Net cash generated from operating activities		139.6	72.4
Cash flows from investing activities			
Purchases of property, plant and equipment		(5.7)	(3.2)
Purchases of intangible assets		(2.6)	(1.8)
Proceeds from disposal of property, plant and equipment		0.9	0.6
Proceeds from disposal of subsidiary undertaking		-	0.7
Net cash used in investing activities		(7.4)	(3.7)
Cash flows from financing activities			
Proceeds from borrowings		15.4	76.0
Repayment of borrowings		(97.9)	(104.1)
Dividends paid to company shareholders	7	(51.0)	(50.6)
Proceeds from issue of share capital		0.3	4.0
Purchase of own shares		(0.1)	(0.6)
Net cash used in financing activities		(133.3)	(75.3)
Net decrease in cash, cash equivalents and overdrafts		(1.1)	(6.6)
Cash, cash equivalents and overdrafts at beginning of period		14.5	16.9
Cash, cash equivalents and overdrafts at end of period		13.4	10.3
Cash, cash equivalents and overdrafts at end of period comprise:			
Cash at bank and in hand		27.0	24.0
Overdrafts (held in bank and other borrowings)		(13.6)	(13.7)
Total cash, cash equivalents and overdrafts		13.4	10.3

Notes to the condensed consolidated interim financial information

1. General information

The company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is Colonnade, Sunbridge Road, Bradford, BD1 2LQ.

The company is listed on the London Stock Exchange.

The condensed consolidated interim financial information does 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 2009 were approved by the board of directors on 2 March 2010 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 of the Companies Act 2006.

The interim report is published on the company's website, www.providentfinancial.com, in addition to the normal paper version. The maintenance and integrity of the Provident Financial website is the responsibility of the directors and the work carried out by the auditors does not involve consideration of these matters. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The condensed consolidated interim financial information for the six months ended 30 June 2010 has been reviewed, not audited, and was approved for issue by the board of directors on 27 July 2010.

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with IAS 34 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the statutory financial statements for the year ended 31 December 2009 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

3. Accounting policies

Except as described below, the accounting policies applied in preparing the condensed consolidated interim financial information are consistent with those used in preparing the statutory financial statements for the year ended 31 December 2009.

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning on or after 1 January 2010 but do not have a material impact on the group:

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.
- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective from 1 January 2010.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning on or after 1 January 2010, but are not relevant to the group:

- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the group, as it has not made any non-cash distributions to owners.
- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the group.
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. As the group is an existing IFRS preparer, the amendment is not relevant to the group.

3. Accounting policies (continued)

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2010 and have not been early adopted:

- IFRS 9, 'Financial instruments', issued in December 2009 addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is effective from 1 January 2013 and the group is in the process of assessing its impact.
- Revised IAS 24, 'Related party disclosures', issued in November 2009 supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011 but is not expected to have a material impact on the group.
- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009 should be applied for annual periods beginning on or after 1 February 2010. This is not expected to impact the group.
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009 is effective for annual periods beginning on or after 1 January 2011. This is not applicable to the group.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010 and is not applicable to the group.
- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary by standard but most are effective from 1 January 2011. The improvements are not expected to have a material impact on the group.

4. Segment information

IFRS 8 requires segment reporting to be based on the internal financial information reported to the chief operating decision maker. The group's chief operating decision maker is deemed to be the Executive Committee comprising Peter Crook (Chief Executive), Andrew Fisher (Finance Director) and Chris Gillespie (Managing Director, Consumer Credit Division) whose primary responsibility it is to manage the group's day to day operations and analyse trading performance. The group's segments comprise the Consumer Credit Division, Vanquis Bank, Yes Car Credit and Central which are those segments reported in the group's management accounts used by the Executive Committee as the primary means for analysing trading performance. The Executive Committee assesses profit performance using profit before tax measured on a basis consistent with the disclosure in the group financial statements.

	Revenue		Profit/(loss) before taxation	
	Six months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	£m	£m	£m	£m
Consumer Credit Division	365.3	339.9	49.3	52.0
Vanquis Bank	74.7	60.1	9.1	5.0
Yes Car Credit	-	1.2	-	(1.1)
	440.0	401.2	58.4	55.9
Central – costs	-	-	(4.1)	(3.6)
– interest (payable)/receivable	-	-	(0.3)	0.8
Total central	-	-	(4.4)	(2.8)
Total group	440.0	401.2	54.0	53.1

The Consumer Credit Division's profit of £49.3m for the six months ended 30 June 2010 (six months ended 30 June 2009: £52.0m) comprises a profit of £51.1m in respect of the home credit business (six months ended 30 June 2009: £54.1m) and a loss of £1.8m in respect of Real Personal Finance (six months ended 30 June 2009: loss of £2.1m).

All of the above activities relate to continuing operations as defined in IFRS 5 'Non-current assets held for sale and discontinued operations'. Consistent with the treatment in prior years, the Yes Car Credit operation has been classified as part of continuing operations on the basis that revenue and impairment continued to be generated from the loan book up until full collect-out of the loan book and closure of the collections operation in 2009.

Revenue between business segments is not material. All of the group's operations operate in the UK and Republic of Ireland.

	Total assets			Net assets/(liabilities)		
	30 June 2010	31 December 2009	30 June 2009	30 June 2010	31 December 2009	30 June 2009
	£m	£m	£m	£m	£m	£m
Consumer Credit Division	835.2	967.9	854.3	193.0	233.6	205.6
Vanquis Bank	295.3	269.5	242.7	58.9	51.7	46.0
Yes Car Credit	-	-	1.8	-	-	(40.9)
Central	217.5	167.5	185.9	(7.6)	(16.9)	26.1
	1,348.0	1,404.9	1,284.7	244.3	268.4	236.8
Intra-group elimination	(180.4)	(129.1)	(152.4)	-	-	-
Total group	1,167.6	1,275.8	1,132.3	244.3	268.4	236.8

Segment net assets are based on the statutory accounts of the companies forming the group's business segments adjusted to assume repayment of intra-group balances and rebasing of the borrowings of the Consumer Credit Division to reflect a borrowings to receivables ratio of 80%. The impact of this is an increase in the notional allocation of group borrowings to the Consumer Credit Division of £180.4m (31 December 2009: £129.1m, 30 June 2009: £152.4m) 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.

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 28.0% (six months ended 30 June 2009: 28.0%), to the profit before tax for the period.

6. Earnings per share

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

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. For share options and awards, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the company's shares during the period) based on the monetary value of the subscription rights attached to outstanding share options and awards. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and awards.

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

	Six months ended 30 June					
	2010			2009		
	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		134.8			132.2	
Own shares held		(2.8)			(2.0)	
Basic earnings per share	38.9	132.0	29.5	38.2	130.2	29.3
Dilutive effect of share options and awards	-	0.3	(0.1)	-	0.4	(0.1)
Diluted earnings per share	38.9	132.3	29.4	38.2	130.6	29.2

7. Dividends

		Six months ended 30 June	
	Pence per share	2010 £m	2009 £m
2008 final	- 38.1p	-	50.6
2009 final	- 38.1p	51.0	-
Dividends paid		51.0	50.6

The directors have declared an interim dividend in respect of the six months ended 30 June 2010 of 25.4p per share (six months ended 30 June 2009: 25.4p) which will amount to a dividend payment of £34.0m (2009: £33.5m). 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 2010 £m	31 December 2009 £m	30 June 2009 £m
Consumer Credit Division	758.5	883.8	781.5
Vanquis Bank	281.2	255.5	229.7
Yes Car Credit	-	-	0.3
Total group	1,039.7	1,139.3	1,011.5
Analysed as:			
– due within one year	970.8	1,052.4	934.0
– due in more than one year	68.9	86.9	77.5
Total group	1,039.7	1,139.3	1,011.5

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

	Six months ended 30 June	
	2010 £m	2009 £m
Consumer Credit Division	148.1	131.6
Vanquis Bank	33.3	28.4
Yes Car Credit	-	0.1
Total group	181.4	160.1

Impairment in Vanquis Bank 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 2010 amounted to £43.5m (31 December 2009: £40.0m, 30 June 2009: £33.3m). Within the Consumer Credit Division, 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 scheme; the Provident Financial Staff Pension Scheme. The scheme has been closed to new members since 1 January 2003. The scheme covers 62% of employees with company-provided pension arrangements and is of the funded, defined benefit type providing retirement benefits based on final salary. Following a full group review of pension scheme arrangements, from 1 April 2006 members were provided with a choice of paying higher member contributions to continue accruing benefits based on final salary or paying a lower member contribution and accruing benefits based on a percentage of salary which would be revalued each year.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out as at 1 June 2009 by a qualified independent actuary. The valuation used for the purposes of IAS 19 ‘Employee benefits’ has been based on the results of this valuation which has been updated by the actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at the balance sheet date. Scheme assets are stated at fair value at the balance sheet date.

9. Retirement benefit asset (continued)

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

	30 June 2010 £m	31 December 2009 £m	30 June 2009 £m
Fair value of scheme assets	468.3	464.6	407.5
Present value of funded defined benefit obligations	(467.3)	(444.7)	(396.9)
Net retirement benefit asset recognised in the balance sheet	1.0	19.9	10.6

The amounts recognised in the income statement are as follows:

	Six months ended 30 June	
	2010 £m	2009 £m
Current service cost	3.9	2.4
Interest cost	12.4	11.2
Expected return on scheme assets	(14.6)	(12.5)
Net expense recognised in the income statement	1.7	1.1

The net expense recognised in the income statement has been included within administrative expenses.

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

	Six months ended 30 June	
	2010 £m	2009 £m
Fair value of scheme assets at 1 January	464.6	410.7
Expected return on scheme assets	14.6	12.5
Actuarial movement on scheme assets	(10.0)	(15.8)
Contributions by the group	4.8	4.0
Section 75 contribution on disposal of subsidiary undertaking	-	0.6
Contributions paid by scheme participants	0.1	0.6
Net benefits paid out	(5.8)	(5.1)
Fair value of scheme assets at 30 June	468.3	407.5

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

	Six months ended 30 June	
	2010 £m	2009 £m
Defined benefit obligation at 1 January	(444.7)	(359.8)
Current service cost	(3.9)	(2.4)
Interest cost	(12.4)	(11.2)
Contributions paid by scheme participants	(0.1)	(0.6)
Actuarial movement on scheme liabilities	(12.0)	(28.0)
Net benefits paid out	5.8	5.1
Defined benefit obligation at 30 June	(467.3)	(396.9)

9. Retirement benefit asset (continued)

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

	30 June 2010 %	31 December 2009 %	30 June 2009 %
Price inflation	3.30	3.60	3.50
Rate of increase in pensionable salaries	4.30	4.60	4.55
Rate of increase to pensions in payment	3.30	3.60	3.50
Discount rate	5.30	5.60	6.20

The mortality assumptions used in the valuation of the group's defined benefit pension scheme are based on the mortality experience of self-administered pension schemes and allow for future improvements in life expectancy.

The group uses the S1PA standard tables as the basis for projecting mortality adjusted for the following factors:

- A 5% upward adjustment to mortality rates for males and a 15% upward adjustment for females is made in order to reflect lower life expectancies within the scheme compared to average pension schemes; and
- The projections are combined with the medium cohort improvement factors in order to predict future improvements in life expectancy, subject to an annual minimum rate of improvement of 1%.

In more simple terms, it is assumed that members who retire in the future at age 65 will live on average for a further 23 years if they are male (31 December 2009: 23 years, 30 June 2009: 22 years) and for a further 25 years if they are female (31 December 2009: 25 years, 30 June 2009: 25 years). If assumed life expectancies had been one year greater, the net retirement benefit asset would have reduced by approximately £14m (31 December 2009: £14m, 30 June 2009: £11m).

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

	Six months ended 30 June 2010 £m	2009 £m
Actuarial movements on scheme assets	(10.0)	(15.8)
Actuarial movements on scheme liabilities	(12.0)	(28.0)
Actuarial movements recognised in the statement of comprehensive income	(22.0)	(43.8)

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

	Six months ended 30 June 2010 £m	2009 £m
Profit after taxation	38.9	38.2
Adjusted for:		
– tax charge	15.1	14.9
– finance costs	33.8	25.2
– share-based payment charge	2.7	2.9
– retirement benefit charge (note 9)	1.7	1.1
– amortisation of intangible assets	2.9	1.6
– depreciation of property, plant and equipment	3.7	4.2
– loss on disposal of property, plant and equipment	-	0.1
Changes in operating assets and liabilities:		
– amounts receivable from customers	99.6	51.8
– trade and other receivables	5.3	(4.4)
– trade and other payables	(6.8)	(14.9)
– retirement benefit asset	(4.8)	(4.0)
– derivative financial instruments	(0.2)	0.5
– provisions	(0.6)	(0.4)
Cash generated from operations	191.3	116.8

11. 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 the Consumer Credit Division 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 the Consumer Credit Division represents approximately 60% of the full year impairment charge.

The analysis set out above relates to the Consumer Credit Division only. Vanquis Bank is still in a rapid growth phase and at this stage of its development the influence of its rapid growth has a much more significant influence 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 condensed consolidated interim financial information has 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 condensed consolidated interim financial information, 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 2009 annual report and financial statements. There have been no changes in directors during the six months ended 30 June 2010. A list of current directors is maintained on the Provident Financial website: www.providentfinancial.com.

By order of the board

Peter Crook – Chief Executive

Andrew Fisher – Finance Director

27 July 2010

Auditors' review report

Independent review report to Provident Financial plc

Introduction
We have been engaged by the company to review the condensed consolidated interim financial information in the interim report for the six months ended 30 June 2010, which comprises 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 the related notes. 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 condensed consolidated interim financial information.

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 Services 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 condensed consolidated interim financial information included in this interim report has 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 condensed consolidated interim financial information in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 enquiries, 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 condensed consolidated interim financial information in the interim report for the six months ended 30 June 2010 is 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 Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
Leeds
27 July 2010

Information for shareholders

1. The interim report will be posted to shareholders on 11 August 2010.

2. The shares will be marked ex-dividend on 3 November 2010.

3. The interim dividend will be paid on 30 November 2010 to shareholders on the register at the close of business on 5 November 2010. Dividend warrants/vouchers will be posted on 29 November 2010.