

Simple financial products...

Giving our customers what they want...

personal
flexible
straightforward
convenient

We provide simple financial products.

That's why our home credit products, at home and abroad, are so well-suited to the markets they serve. There's the convenience and familiarity of home collection, with quick decisions on new loans and on rearranging repayment terms. And our customers have complete certainty about the amount they are expected to pay back, secure in the knowledge that there are no hidden charges.

In insurance, we stick to the areas we know best, providing a fast and simple service, through brokers or by telephone. And, by avoiding high-risk customers and keeping our running costs down, we keep our premiums down too.

So, as we expand, with a growing range of products, in more and more countries, simplicity will remain at the heart of all we do.

Highlights

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Group turnover up 28% to **£340.3m**

Earnings per share up 7.9% to **19.1p**

Interim dividend per share up 10.1% to **10.9p**

Like for like pre-tax profit up
6.0% to

£65.1m

International
customers up to

281,000

Group customers up 17% to

2.9m



John van Kuffeler Chairman

Chairman's statement

Overview

The board is pleased to announce further progress in the first half of the year. The number of group customers increased by 17%, group turnover was up by 28% and pre-tax profit on a like for like basis, after adjusting for the additional interest costs on the debt used to fund the share buy-back programme, increased by 6.0% to £65.1 million.

Earnings per share has increased by 7.9% from 17.7 pence to 19.1 pence per share. The directors have declared an interim dividend of 10.9 pence per ordinary share, an increase of 10.1% over the 9.9 pence interim dividend in 1999.

It is particularly encouraging that this growth in profits has been achieved after the investment in start-up losses of £6.9 million in building our international home credit division (1999 £4.2 million) and £5 million of additional costs in the UK to strengthen our home credit field force.

The company has purchased in the market 9.4 million shares for cancellation, at a total cost of £49.1 million, emphasising the directors' confidence in the future.

UK home credit

In the first half, our UK home credit division has continued to make progress with profit before tax increasing by 2.4% to £60.3 million.

Our focus for this year is to achieve steady growth, with the increase in credit issued being more in line with customer growth, whilst stabilising the bad debt ratio. This has resulted in customer numbers being up by 3.8% to 1,553,000 and the volume of credit issued up by 3.8% to £364 million. Agent numbers have continued to grow, up by 4.6% to 11,961 in the first half of the year.

This focus, together with additional expenditure of £3 million on strengthening field management and £2 million on training and retaining new agents, is already enabling us to improve our bad debt ratio. As a percentage of credit issued, bad debt has fallen to an annualised rate of 8.2% at June 2000, from 8.4% at the end of 1999.

In the second half of the year we expect improved profit growth from our UK home credit division. Collections performance, which is a good leading indicator of bad debt, has shown steady improvement since mid 1999. We expect the bad debt ratio to stabilise at or around 8.2% for the remainder of 2000.

Our market research continues to show the opportunity for sustained growth. The feedback from our customers confirms that they like our service. It allows them to borrow small sums, knowing exactly how much they will be expected to pay back, with the guarantee that there will be no hidden charges. Our strategy remains to achieve growth by recruiting more agents who in turn recruit more customers. We expect higher rates of profit growth from 2001 onwards.

International home credit

Our international home credit division has again grown significantly during the first half, demonstrating further our ability to build and manage overseas operations successfully. As in the UK, our service is popular because we offer a fast, flexible and convenient way of borrowing.

By the end of June 2000, customer numbers had increased to 281,000 – up by 132,000 since December 1999 and up by 219,000 over the past year. The average rate of increase in customer numbers has been 5,100 per week in the first half. At the end of June 2000 we had 164,000 customers in Poland (December 1999 72,000), 98,000 in the Czech Republic (December 1999 66,000) and 19,000 in South Africa (December 1999 11,000).

We have invested heavily to build the infrastructure we require and in the first half of the year we have opened 30 overseas offices (21 new offices in Poland, 7 in the Czech Republic and 2 in South Africa). We are now able to serve the great majority of our target markets in Poland and the Czech Republic from a total of 53 offices. In South Africa, we have expanded successfully in the Pietersburg area. The international home credit division now has an infrastructure of 7,359 staff and agents, almost half that of the UK home credit division.

The repayment record of our customers remains good, with underlying bad debt at around 6% of credit issued in Poland and the Czech Republic.

For the remainder of 2000 we will build up our customer base in the Czech Republic and Poland and expand cautiously in South Africa. We continue to expect the international home credit division to trade near breakeven for the second half of this year – with the Czech Republic moving into profit during that period. We expect all countries and the division overall to report a profit for 2001.

In 2001 we will launch our service in another European country and will enter at least one country each year thereafter.

We remain confident that the division has excellent long term prospects and will earn substantial profits.

Insurance

The insurance division has continued to prosper in its core market – providing non-comprehensive insurance for women drivers and for drivers of second family cars or older cars.

Profit before tax has increased by 36% from £11.5 million to a record £15.6 million and the investment fund has grown by 10% to £316 million.

The division has benefited from premium increases in the first half of this year of 7% – a little less than those of our competitors. This continued improvement in our price competitiveness has resulted in a substantial 28% increase in the number of policyholders to 705,000, with gross written premiums up by 75%. Increases in claims cost per policy have averaged 10% over the last year,

well below premium increases for the same period, allowing an improvement in margins. We therefore expect excellent results for the division in 2000.

The motor insurance market is cyclical and we are currently benefiting from conditions toward the top of the cycle. We believe increased price competition may be seen towards the end of this year.

Summary

The first half of 2000 has seen performance very much in line with our expectations at the start of the year.

In UK home credit, we have put in place the necessary steps to address the issue of bad debt and are positioning ourselves for a faster rate of growth. Internationally, we continue to see significant expansion, demonstrating beyond doubt the substantial international market that exists for our home credit service. Concentration on our specialist areas of insurance and the increase in premiums has resulted in strong profit growth.

Overall, the board remains confident of a good result for the year.



John van Kuffeler

Chairman

27 July 2000

Consolidated profit and loss account

for the half-year ended 30 June 2000

	Unaudited Half-year to 30 June 2000 £'000	Unaudited Half-year to 30 June 1999 £'000	Audited Full year 1999 £'000
Turnover	340,325	266,244	582,561
Operating profit and profit before taxation	65,116	63,605	155,021
Taxation (note 3)	(17,581)	(17,809)	(43,406)
Profit after taxation	47,535	45,796	111,615
Dividends (note 4)	(25,333)	(25,642)	(63,683)
Retained profit	22,202	20,154	47,932
Earnings per share (note 5)			
Basic	19.08p	17.70p	43.15p
Diluted	19.02p	17.49p	42.79p
Dividend per share (note 4)	10.9p	9.9p	24.8p

The results shown in the profit and loss account derive wholly from continuing activities.

There is no material difference between the retained profit as shown above and the historical cost equivalent.

Statement of total recognised gains and losses

for the half-year ended 30 June 2000

	Unaudited Half-year to 30 June 2000 £'000	Unaudited Half-year to 30 June 1999 £'000	Audited Full year 1999 £'000
Profit after taxation	47,535	45,796	111,615
Currency translation differences	(148)	(900)	(1,099)
Total recognised gains and losses relating to the period	47,387	44,896	110,516

Segmental analysis of turnover

for the half-year ended 30 June 2000

	Unaudited Half-year to 30 June 2000 £'000	Unaudited Half-year to 30 June 1999 £'000	Audited Full year 1999 £'000
UK home credit	212,374	196,123	422,633
International home credit	12,909	2,150	8,757
Insurance	115,042	67,971	151,171
	340,325	266,244	582,561

Segmental analysis of profit before taxation

for the half-year ended 30 June 2000

	Unaudited Half-year to 30 June 2000 £'000	Unaudited Half-year to 30 June 1999 £'000	Audited Full year 1999 £'000
UK home credit	60,332	58,904	143,911
International home credit	(6,860)	(4,201)	(8,434)
Insurance	15,645	11,510	25,374
Central costs	(4,001)	(2,608)	(5,830)
	65,116	63,605	155,021

Central costs include £2.2 million of interest costs relating to the share buy-backs (note 10).

The international home credit loss before taxation can be analysed as follows:

	Unaudited Half-year to 30 June 2000 £'000	Unaudited Half-year to 30 June 1999 £'000	Audited Full year 1999 £'000
Poland	(3,430)	(1,395)	(2,657)
Czech Republic	(1,369)	(1,438)	(2,679)
South Africa	(505)	(371)	(703)
Divisional overheads	(1,556)	(997)	(2,395)
	(6,860)	(4,201)	(8,434)

Consolidated balance sheet

as at 30 June 2000

	Unaudited As at 30 June 2000 £'000	Unaudited As at 30 June 1999 £'000	Audited As at 31 December 1999 £'000
Fixed assets	37,143	36,583	36,074
Current assets			
Amounts receivable from customers			
– due within one year	519,405	471,897	565,662
– due in more than one year	7,524	7,086	9,470
Debtors	146,118	117,294	130,342
Investments			
– realisable within one year	289,647	251,707	256,302
– realisable in more than one year	10,000	25,000	10,000
Cash at bank and in hand	38,490	27,922	42,423
	1,011,184	900,906	1,014,199
Current liabilities			
Bank and other borrowings	(25,513)	(41,340)	(23,138)
Creditors – amounts falling due within one year	(138,844)	(120,596)	(167,315)
Insurance accruals and deferred income	(335,945)	(287,763)	(306,660)
	(500,302)	(449,699)	(497,113)
Net current assets	510,882	451,207	517,086
Total assets less current liabilities	548,025	487,790	553,160
Non-current liabilities			
Bank and other borrowings	(311,084)	(208,936)	(294,144)
Creditors – amounts falling due after more than one year	(4,923)	(8,783)	–
Provision for liabilities and charges – deferred taxation	–	(3,043)	–
	(316,007)	(220,762)	(294,144)
Net assets	232,018	267,028	259,016
Capital and reserves			
Called-up share capital	25,728	27,244	26,705
Share premium account	45,332	48,217	47,211
Revaluation reserve	1,641	1,641	1,641
Other reserves	3,967	2,451	2,990
Profit and loss account	155,350	187,475	180,469
Equity shareholders' funds	232,018	267,028	259,016

Consolidated cash flow statement

for the half-year ended 30 June 2000

	Unaudited Half-year to 30 June 2000 £'000	Unaudited Half-year to 30 June 1999 £'000	Audited Full year 1999 £'000
Net cash inflow from operating activities	116,934	98,710	128,278
Taxation	(17,160)	9,834	(19,524)
Capital expenditure and financial investment	15,920	12,107	30,303
Equity dividends paid	(36,545)	(35,199)	(60,924)
Management of liquid resources	(53,345)	(23,072)	(32,667)
Financing	(29,909)	(67,180)	(34,822)
(Decrease)/increase in cash in the period	(4,105)	(4,800)	10,644

The cash flow statement above has been prepared in accordance with FRS 1 (Revised 1996) "Cash Flow Statements". As required by that standard, the statement aggregates the cash flows arising from the insurance and home credit divisions. However, the cash and investments held by the insurance division are required by its regulators to be strictly segregated from the rest of the group and are not available to repay group borrowings.

At 30 June 2000 the cash and investments held by the insurance division amounted to £316 million (30 June 1999 – £288 million).

The financing section of the cash flow statement above includes a £49.1 million (30 June 1999 – nil) cash outflow relating to the share buy-backs.

	Unaudited Half-year to 30 June 2000 £'000	Unaudited Half-year to 30 June 1999 £'000	Audited Full year 1999 £'000
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in net cash for the period	(4,105)	(4,800)	10,644
Cash outflow from increase in liquid resources	53,345	23,072	32,667
	49,240	18,272	43,311
Cash (inflow)/outflow from (increase)/decrease in debt	(19,143)	67,652	(297)
Change in net debt resulting from cash flows	30,097	85,924	43,014
Net debt at start of period	(53,557)	(96,571)	(96,571)
Net debt at end of period	(23,460)	(10,647)	(53,557)

Consolidated cash flow statement continued

for the half-year ended 30 June 2000

	31 December 1999 £'000	Cash flows £'000	30 June 2000 £'000
Analysis of changes in net debt			
Cash at bank and in hand	42,423	(3,933)	38,490
Overdrafts	(6,434)	(172)	(6,606)
	35,989	(4,105)	31,884
Investments realisable within one year	221,302	53,345	274,647
Bank and other borrowings			
– less than one year	(16,704)	(2,203)	(18,907)
– more than one year	(294,144)	(16,940)	(311,084)
Net debt	(53,557)	30,097	(23,460)

Cash, borrowings and overdraft balances shown above at 31 December 1999 and 30 June 2000 agree to the balance sheets at those dates. Investments realisable within one year exclude those current asset investments which are not considered to be liquid resources (being those investments with more than one year to maturity when acquired, but less than one year to maturity at the balance sheet date, other than investments which are traded on an active market).

	Unaudited Half-year to 30 June 2000 £'000	Unaudited Half-year to 30 June 1999 £'000	Audited Full year 1999 £'000
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit	65,116	63,605	155,021
Depreciation	2,858	2,856	5,044
Loss on sale of tangible fixed assets	154	25	128
Decrease/(increase) in amounts receivable from customers	48,203	52,231	(43,918)
Increase in debtors	(15,776)	(9,991)	(22,327)
Increase in unearned insurance premiums	26,917	6,840	21,857
Increase/(decrease) in insurance claims provision	2,174	(10,945)	(7,110)
(Decrease)/increase in amounts due to retailers	(12,294)	(13,842)	506
Increase in accruals	1,299	2,370	5,297
(Decrease)/increase in other liabilities and deferred income	(1,717)	5,561	13,780
Net cash inflow from operating activities	116,934	98,710	128,278

Net cash inflow from operating activities can be analysed as follows:

	Unaudited Half-year to 30 June 2000 £'000	Unaudited Half-year to 30 June 1999 £'000	Audited Full year 1999 £'000
UK home credit and central	103,150	100,367	119,823
International home credit	(18,246)	(7,338)	(19,480)
Insurance	32,030	5,681	27,935
	116,934	98,710	128,278

Notes to the financial information

Results for the half-year ended 30 June 2000

1 The financial information, which has been prepared on the basis of the accounting policies set out in the group's 1999 statutory accounts, does not constitute a set of statutory accounts and is unaudited.

2 The information relating to the full year ended 31 December 1999 is an extract from the latest published accounts on which the auditors gave an unqualified opinion and which have been delivered to the Registrar of Companies.

3 The taxation charge has been calculated by applying the directors' best estimate of the effective tax rate for the year, which is 27% (30 June 1999 – 28%), to the profit for the period.

4 Dividends paid and proposed

	Unaudited Half-year to 30 June 2000 £'000	Unaudited Half-year to 30 June 1999 £'000	Audited Full year 1999 £'000
Interim dividend declared 10.9p (1999 – 9.9p)	25,333	25,642	25,737
Final dividend paid 14.9p	–	–	37,946
	25,333	25,642	63,683
Dividend cover	1.75	1.79	1.75

5 Earnings per share

The basic and diluted earnings per share figures have been calculated using the profit for the period attributed to ordinary shareholders of £47,535,000 (30 June 1999 – £45,796,000) and the weighted average number of shares in issue during the period.

The weighted average number of shares in issue during the period can be reconciled to the number used in the basic and diluted earnings per share calculations as follows:

	Unaudited Half-year to 30 June 2000 Number	Unaudited Half-year to 30 June 1999 Number	Audited Full year 1999 Number
Weighted average number of shares			
In issue during the period	252,066,217	262,789,741	262,281,979
Held by the QUEST	(2,990,972)	(4,000,518)	(3,640,080)
Used in basic earnings per share calculation	249,075,245	258,789,223	258,641,899
Issuable on conversion of outstanding options	852,768	2,999,186	2,190,714
Used in diluted earnings per share calculation	249,928,013	261,788,409	260,832,613

The movement on the number of shares in issue during the period is as follows:

	Number
At 1 January 2000	258,690,685
Shares purchased December 1999 and cancelled in period	(1,009,553)
Shares purchased and cancelled in period	(9,425,503)
At 30 June 2000	248,255,629

Notes to the financial information continued

Results for the half-year ended 30 June 2000

6 Reconciliation of movement in equity shareholders' funds

	Unaudited Half-year to 30 June 2000 £'000	Unaudited Half-year to 30 June 1999 £'000	Audited Full year 1999 £'000
Profit attributable to equity shareholders	47,535	45,796	111,615
Dividends	(25,333)	(25,642)	(63,683)
Retained profit	22,202	20,154	47,932
New share capital issued	–	472	472
Share capital cancelled on share buy-back	(1,879)	–	(1,006)
Share buy-back	(47,173)	–	(34,585)
Currency translation differences	(148)	(900)	(1,099)
Net (reduction in)/addition to equity shareholders' funds	(26,998)	19,726	11,714
Equity shareholders' funds at beginning of period	259,016	247,302	247,302
Equity shareholders' funds at end of period	232,018	267,028	259,016

7 Amounts receivable from customers

	Unaudited As at 30 June 2000 £'000	Unaudited As at 30 June 1999 £'000	Audited As at 31 December 1999 £'000
(a) Instalment credit receivables			
Gross instalment credit receivables	817,536	746,858	878,917
Less: provision for bad and doubtful debts	(90,420)	(88,984)	(84,771)
Instalment credit receivables after provision for bad and doubtful debts	727,116	657,874	794,146
Less: deferred revenue thereon	(200,187)	(178,891)	(219,014)
	526,929	478,983	575,132
Analysed as: – due within one year	519,405	471,897	565,662
– due in more than one year	7,524	7,086	9,470
	526,929	478,983	575,132

At 30 June 2000 the net amounts receivable from UK home credit customers were £500.6m (30 June 1999 – £474.4m) and from international home credit customers were £26.3m (30 June 1999 – £4.6m).

Notes to the financial information continued

Results for the half-year ended 30 June 2000

7 Amounts receivable from customers continued

	Unaudited Half-year to 30 June 2000 £'000	Unaudited Half-year to 30 June 1999 £'000	Audited Full year 1999 £'000
(b) Bad and doubtful debts			
Gross provision at end of period	90,420	88,984	84,771
Less: deferred revenue thereon	(26,280)	(24,497)	(23,948)
Net provision at end of period	64,140	64,487	60,823
Net provision at start of period	(60,823)	(53,229)	(53,229)
Increase in provision (net of deferred revenue)	3,317	11,258	7,594
Amounts written off (net of deferred revenue)	36,307	27,528	64,558
Net charge to profit and loss account for bad and doubtful debts	39,624	38,786	72,152
Analysed as: – UK home credit	37,760	38,513	71,098
– International home credit	1,864	273	1,054
	39,624	38,786	72,152

(c) The figures for receivables, provisions and bad and doubtful debts at 30 June 2000 should be compared with the equivalent information at 30 June 1999 in view of the long-established seasonal patterns in lending and collections.

8 Credit issued

	Half-year to 30 June 2000 £'000	Half-year to 30 June 1999 £'000	Growth %
UK home credit	363,963	350,634	3.8
International home credit	38,957	7,631	–
	402,920	358,265	12.5

9 Collections

	Half-year to 30 June 2000 £'000	Half-year to 30 June 1999 £'000	Growth %
UK home credit	596,325	563,272	5.9
International home credit	36,891	6,232	–
	633,216	569,504	11.2

10 Profit before tax on a like for like basis

The company purchased 14.6 million shares subsequent to 30 June 1999, at a cost of £84.6 million, which were subsequently cancelled. This gave rise to additional interest costs in the first half of 2000 compared to the first half of 1999.

If an equivalent purchase of shares had taken place during the first half of 1999, an additional interest cost of £2.2 million would have been incurred in the first half of 1999 resulting in a reduction in profit before taxation from £63.6 million to £61.4 million. Consequently, on a like for like basis, the profit in the first half of 2000 increased by 6.0%, from £61.4 million to £65.1 million.

Independent review report to Provident Financial plc

Introduction

We have been instructed by the company to review the financial information set out on pages 4 to 11 and we have read the other information contained in the interim report for any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2000.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Leeds
27 July 2000

Shareholder information

- 1 The shares will be marked ex-dividend on 18 September 2000.
- 2 The interim dividend will be paid on 20 October 2000 to shareholders on the register at the close of business on 22 September 2000.
- 3 Dividend warrants/vouchers will be posted on 18 October 2000.
- 4 The interim report is being posted to shareholders on 4 August 2000.
- 5 The Provident Financial Company Nominee Scheme ("the scheme") enables shareholders who are eligible to use it, 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. Shareholders who wish to take advantage of the scheme should contact the company's registrar, Capita IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU (telephone: 0208 639 2000) to request an information pack.

Directors

as at 27 July 2000

Executive directors

John P de Blocq van Kuffeler MA FCA
Chairman

Howard J Bell MBA
Chief Executive

Robin J Ashton BA ACA
Deputy Chief Executive

Peter W Bretherton LLM
Director of Corporate Affairs

John A Harnett BA ACA
Finance Director

Non-executive directors

Charles H Gregson BA
Deputy Chairman and Chairman
of the risk advisory committee

Angela C M Heylin OBE FCIM FIPR
Chairman of the remuneration committee

John H Maxwell CA CIMgt
Chairman of the audit committee



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