us

Provident Financial and its business

Interim Report 2003

PROVIDENT FINANCIAL

you me us

Ours is a business built on personal relationships. Everything we do is directed at strengthening relationships with our customers and making Provident better at meeting their needs.

Because we know our customers so well, we're now starting to explore other ways of meeting their needs. And we will aim to continue this personal touch as we expand and develop new businesses.

At Provident, there's a clear alignment of interests between customers, agents, employees, investors and society at large. The better we get on with our customers and provide the products and service they want, the more we prosper as a business. This allows us to offer better careers and prospects to our employees, to give greater returns to our shareholders and to meet our social responsibilities more effectively.

You, me, us – we're all involved in Provident's success.

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our news

23%

Turnover up 23% to £555 million

5.1%

Interim dividend per share up 5.1% to 13.1 pence

9.9%

Pre-exceptional profit before tax and goodwill amortisation up 9.9% to £82.0 million

5.0%

Pre-exceptional earnings per share before goodwill amortisation up 5.0% to 22.89 pence

our

Our business has made good progress and we remain confident about its prospects for 2003.

Chairman's statement
John van Kuffeler

The first six months of 2003 have been a progressive period for the group, with all our credit operations performing well. Our results have benefited from an excellent performance from our international businesses and by strong growth from Yes Car Credit. Turnover increased by 23% to £555 million and we are pleased to report that profit before tax and the amortisation of goodwill increased by 9.9% to £82.0 million (June 2002 £74.7 million before the exceptional loss incurred on the sale of Colonnade Insurance Brokers Limited "Colonnade"). Earnings per share before goodwill and 2002's exceptional loss on Colonnade increased by 5.0% from 21.79p to 22.89p. An interim dividend of 13.1p per share (June 2002 12.46p) has been declared, an increase of 5.1%.

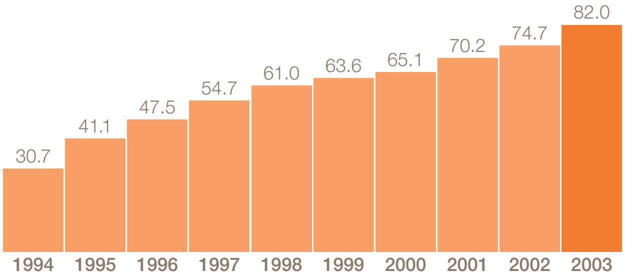
Operations

UK consumer credit division

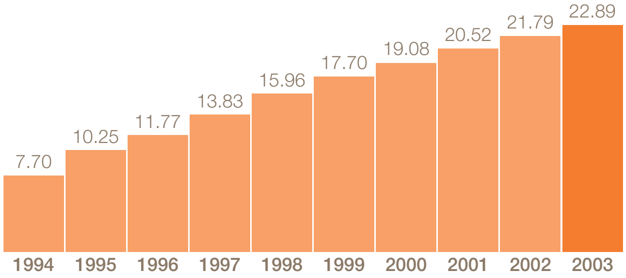
Home credit

We are a lender of choice for the 1.6 million UK families and individuals that we serve. This is reflected in our continuing high levels of customer satisfaction.

Pre-exceptional profit before tax
and goodwill amortisation (£m)
Six months to June



Pre-exceptional earnings per share
before goodwill amortisation (pence)
Six months to June



The UK home credit business continued to make progress in a mature market. We are continuing to work hard to retain and recruit customers in order to achieve net customer growth and it is pleasing to report that customer numbers increased by 2.2% to 1.61 million. Credit issued was marginally lower than in the first half of 2002, decreasing by 1.5% to £390 million (June 2002 £396 million). This largely reflects differences in the timing of promotional activities as between the two half-years. Collections increased by 1.3% to £660 million and turnover by 2.6% to £238 million. We have continued to manage the balance between customer and credit issued growth, operating costs and bad debt to achieve the best profit outcome. Overheads remain under tight control, increasing by only 0.8% to £59.6 million compared to the first half of 2002. As expected, bad debt as a percentage of credit issued has risen, up to 9.7% from 9.2% at the end of last year. Profit before tax increased by 2.6% to £63.6 million (June 2002 £62.0 million).

Yes Car Credit
Yes Car Credit was acquired on 18 December 2002. The business has been successfully integrated into the group and has performed as planned during the first half of this year. Four new branches were opened, increasing the total number of branches to 24. Cars sold increased by 12% to 17,600 and the percentage of these financed in-house rose to 90% in the first half of the year compared to 75% for 2002. Turnover increased by 23% to £123 million and profit by 35% to £4.5 million.

Vanquis Bank
Vanquis Bank received its banking licence in February and in April launched a market test of Visa branded credit cards in the UK. Several thousand cards are now in issue and data is being collected that will enable us to decide in 2004 whether to progress to a full scale roll-out. Budgeted start-up costs of £3.4 million were incurred in the first half of the year. ➜

International division

The international division continues to grow rapidly. Customer numbers rose by 34% to 1.08 million and credit issued increased by 29% to £162 million. Collections were up by 37% to £221 million and turnover by 39% to £90 million. As the business grows it becomes more cost-efficient. In the first half of this year operating costs as a percentage of turnover were down to 56% from 64% in the first half of last year. Profit before tax increased substantially to £9.9 million (June 2002 £1.1 million) with profit margins widening from 2% to 11% of turnover.

Our operation in Poland has produced excellent results. Customer numbers increased by 34% to 750,000 and credit issued by 22% to £107 million. Collections increased by 29% to £150 million and turnover by 31% to £62 million. As expected, with these high rates of growth there has been a consequent increase in bad debt as a percentage of credit issued, up from 9.1% at the end of last year to 10.2%. Profit before tax increased by 157% from £4.4 million to £11.4 million with the profit margin increasing from 9% to 18% of turnover.

In our Czech operation, the very strong growth of last year has been followed in the first half of this year by more measured growth accompanied by a substantial improvement in both profit margins and profitability. Customer numbers have increased by 3% to 212,000 and credit issued by 5% to £34 million. Collections have benefited from the high credit issued growth last year and have risen by 26% to £50 million. Turnover has risen by 23% to £19 million. Operating efficiency has improved and costs have reduced as a percentage of turnover from 58% to 49%. Following the strong growth in customer numbers and credit issued during 2002, bad debt as a percentage of credit issued has increased to 12.0% from 11.0% at the end of last year. Profit before tax has more than doubled, rising from £1.9 million to £4.0 million with the profit margin increasing from 12% to 21% of turnover.

The performance of our new businesses in Hungary and Slovakia has been good. In both countries we are progressing towards national coverage. In Hungary, we currently have 14 branches and 80,000 customers, up from 6 branches and 27,000 customers a year ago. In Slovakia we have 8 branches and 39,000 customers, up from 4 branches and 12,000 customers a year ago. Credit quality in both countries remains good. The combined start-up losses for the first half of 2003 from the two countries were £2.6 million (June 2002 £2.6 million).

We have also made good progress in preparing for a launch of our home credit service in Mexico in the third quarter of 2003.

Motor insurance division

The cyclical downturn in margins in the motor insurance market that began in the summer of 2002 has, as expected, continued throughout the first half of this year. Pricing conditions remain competitive and average premium rates in the market have been flat whilst claims costs have continued to increase by 6%-7% per annum. As a result, margins in the market have been eroded. We have continued with our policy of pricing for an economic return on capital and so have raised our premium rates and reduced the scale of our operations. Policyholder numbers have decreased by 21% since June 2002 and, compared with the first half of 2002, gross written premiums have reduced by 27% to £107 million and gross earned premium by 13% to £116 million. As expected, profit before tax has decreased to £14.7 million (June 2002 £18.0 million).

Prospects for 2003

UK consumer credit division

In our UK home credit business we continue to expect modest growth.

Yes Car Credit plans to open a further two new branches in the second half of the year, taking our branch network to 26 from 20 at the start of the year. This 30% expansion reflects our confidence in this product as a national consumer offering. We also intend to increase further the proportion of cars sold that are financed in-house. We continue to expect further significant growth in customers, receivables and revenue in 2003.

Vanquis Bank will continue its market test of credit card products. Start-up losses of approximately £8 million are budgeted for the full year.

International division

We continue to see excellent prospects for growth in customer numbers, credit issued and profit from our international division. In Hungary and Slovakia we will expand our geographic coverage and grow customer numbers and credit issued. In Mexico we will launch a pilot scale home credit operation in the third quarter of 2003. The investment by the international division in start-up losses from these three countries in 2003 is still expected to be approximately £6 million. The established businesses in Poland and the Czech Republic are expected to continue to grow their profits rapidly. Overall, we continue to expect substantial growth in the contribution from the international division in 2003.

Motor insurance division

We believe that the backdrop of more competitive pricing conditions in the motor insurance market will continue. We will maintain our approach of pricing to achieve an adequate return and will further reduce the scale of our operations. We continue to plan for a reduction in profit from the motor insurance division in 2003.

Group

Provident Financial is increasingly becoming an established international business with a broadening portfolio of popular products that meets the needs of over 3 million customers. The group has made good progress in the first half of the year and we remain confident about its prospects for 2003. ■

John van Kuffeler
Chairman
23 July 2003

Consolidated profit and loss account for the half-year to 30 June 2003

	Unaudited Half-year to 30 June 2003 £m	Unaudited Half-year to 30 June 2002 £m	Audited Full year 2002 £m
Turnover	555.1	450.5	875.0
Operating profit before goodwill amortisation	82.0	74.7	182.4
Goodwill amortisation	(2.1)	(0.1)	(0.3)
Operating profit	79.9	74.6	182.1
Exceptional loss on disposal of business	–	(10.7)	(10.7)
Profit before taxation	79.9	63.9	171.4
Taxation (note 3)	(24.2)	(21.7)	(52.8)
Profit after taxation	55.7	42.2	118.6
Dividends (note 4)	(33.1)	(30.3)	(76.9)
Retained profit	22.6	11.9	41.7

	Unaudited Half-year to 30 June 2003 Pence	Unaudited Half-year to 30 June 2002 Pence	Audited Full year 2002 Pence
Earnings per share (note 5)			
Basic	22.04	17.36	48.66
Adjusted	22.89	21.79	53.19
Diluted	21.93	17.27	48.50
Dividend per share (note 4)	13.10	12.46	30.90

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 to 30 June 2003

	Unaudited Half-year to 30 June 2003 £m	Unaudited Half-year to 30 June 2002 £m	Audited Full year 2002 £m
Profit after taxation	55.7	42.2	118.6
Currency translation differences	–	–	(0.3)
Total recognised gains and losses relating to the period	55.7	42.2	118.3

Segmental analysis of turnover for the half-year to 30 June 2003

	Unaudited Half-year to 30 June 2003 £m	Unaudited Half-year to 30 June 2002 £m	Audited Full year 2002 £m
UK home credit	239.2	232.0	484.3
Yes Car Credit	123.3	–	5.5
Vanquis Bank	–	–	–
UK consumer credit	362.5	232.0	489.8
International home credit	90.1	65.1	142.4
Motor insurance	102.5	142.7	232.1
Ongoing operations	555.1	439.8	864.3
Business sold	–	10.7	10.7
	555.1	450.5	875.0

Segmental analysis of operating profit before goodwill amortisation for the half-year to 30 June 2003

	Unaudited Half-year to 30 June 2003 £m	Unaudited Half-year to 30 June 2002 £m	Audited Full year 2002 £m
UK home credit	63.6	62.0	152.6
Yes Car Credit	4.5	–	0.2
Vanquis Bank	(3.4)	–	(1.1)
UK consumer credit	64.7	62.0	151.7
International home credit	9.9	1.1	10.6
Motor insurance	14.7	18.0	35.8
Central costs	(7.3)	(7.4)	(16.7)
Ongoing operations	82.0	73.7	181.4
Business sold	–	1.0	1.0
	82.0	74.7	182.4

In the second half of 2002 reporting responsibility for N&N, a cheque cashing business, was transferred from the motor insurance division to UK home credit. The turnover and operating profit for UK home credit for the six months to 30 June 2003 include £1.2 million of turnover and £nil of operating profit in respect of N&N. In the six months to 30 June 2002, N&N's turnover and operating profit of £1.2 million and £nil respectively were included in motor insurance. The half-year results to 30 June 2002 have not been restated as the impact is not material.

The international home credit turnover and operating profit can be analysed as follows:

	Unaudited Half-year to 30 June 2003 £m	Unaudited Half-year to 30 June 2002 £m	Audited Full year 2002 £m
Turnover			
Poland	62.5	47.6	102.2
Czech Republic	19.1	15.5	33.6
Hungary	6.3	1.5	4.9
Slovakia	2.2	0.5	1.7
	90.1	65.1	142.4
Operating profit/(loss)			
Poland	11.4	4.4	16.7
Czech Republic	4.0	1.9	5.1
Hungary	(1.6)	(1.6)	(3.1)
Slovakia	(1.0)	(1.0)	(2.0)
Central divisional overheads	(2.9)	(2.6)	(6.1)
	9.9	1.1	10.6

Consolidated balance sheet as at 30 June 2003

	Unaudited As at 30 June 2003 £m	Unaudited As at 30 June 2002 £m	Audited As at 31 December 2002 £m
Fixed assets (including goodwill)	139.6	48.6	138.0
Current assets			
Stock	9.4	–	11.0
Amounts receivable from customers (note 7)			
– due within one year	775.2	668.3	821.1
– due in more than one year	162.0	8.5	141.9
Debtors	158.4	173.6	171.6
Investments			
– realisable within one year	525.3	467.9	503.8
Cash at bank and in hand	44.7	65.0	48.5
	1,675.0	1,383.3	1,697.9
Current liabilities			
Bank and other borrowings	(15.2)	(20.6)	(38.2)
Creditors – amounts falling due within one year	(167.2)	(146.5)	(180.9)
Insurance accruals and deferred income	(479.5)	(488.9)	(495.3)
	(661.9)	(656.0)	(714.4)
Net current assets	1,013.1	727.3	983.5
Total assets less current liabilities	1,152.7	775.9	1,121.5
Non-current liabilities			
Bank and other borrowings	(706.9)	(446.4)	(695.4)
Creditors – amounts falling due after more than one year	(19.0)	–	(21.9)
Provision for liabilities and charges – deferred taxation	(1.5)	(6.0)	(1.5)
	(727.4)	(452.4)	(718.8)
Net assets	425.3	323.5	402.7
Capital and reserves			
Called-up share capital	26.3	25.4	26.3
Share premium account	100.9	52.1	100.9
Revaluation reserve	2.7	1.6	2.7
Other reserves	4.4	4.4	4.4
Profit and loss account	291.0	240.0	268.4
Equity shareholders' funds (note 6)	425.3	323.5	402.7

Consolidated cash flow statement for the half-year to 30 June 2003

	Unaudited Half-year to 30 June 2003 £m	Unaudited Half-year to 30 June 2002 £m	Audited Full year 2002 £m
Net cash inflow from operating activities	114.6	148.0	151.5
Taxation	(22.8)	(17.4)	(49.7)
Capital expenditure and financial investment	(9.0)	(6.3)	(14.5)
Acquisitions and disposals	(3.9)	27.0	(18.8)
Equity dividends paid	(46.6)	(42.8)	(73.2)
Management of liquid resources	(21.3)	(37.3)	(73.4)
Financing	(29.3)	(51.0)	81.0
(Decrease)/increase in cash in the period	(18.3)	20.2	2.9

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 each division within the group. However, the cash and investments held by those businesses that are regulated are required to be strictly segregated from the rest of the group and are not available to repay group borrowings.

At 30 June 2003 the cash and investments held by businesses in the group that are regulated amounted to £534 million (30 June 2002 £486 million).

Reconciliation of cash flow to movement in net (debt)/funds	Unaudited Half-year to 30 June 2003 £m	Unaudited Half-year to 30 June 2002 £m	Audited Full year 2002 £m
(Decrease)/increase in cash in the period	(18.3)	20.2	2.9
Cash outflow from increase in liquid resources	21.3	37.3	73.4
	3.0	57.5	76.3
Cash outflow/(inflow) from decrease/(increase) in debt	29.3	51.3	(31.1)
Change in net debt resulting from cash flows	32.3	108.8	45.2
Loans relating to business acquired	–	–	(189.4)
Exchange adjustments	(3.1)	(1.8)	3.9
Net debt at beginning of period	(181.3)	(41.0)	(41.0)
Net (debt)/funds at end of period	(152.1)	66.0	(181.3)

Consolidated cash flow statement for the half-year to 30 June 2003

Analysis of changes in net (debt)/funds	31 December 2002 £m	Cash flows £m	Exchange adjustments £m	30 June 2003 £m
Cash at bank and in hand	48.5	(4.1)	0.3	44.7
Overdrafts	(1.0)	(14.2)	–	(15.2)
	47.5	(18.3)	0.3	29.5
Investments realisable within one year	503.8	21.3	0.2	525.3
Bank and other borrowings:				
– less than one year	(37.2)	37.3	(0.1)	–
– more than one year	(695.4)	(8.0)	(3.5)	(706.9)
	(732.6)	29.3	(3.6)	(706.9)
Net debt	(181.3)	32.3	(3.1)	(152.1)

Cash, borrowings and overdraft balances shown above at 31 December 2002 and 30 June 2003 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).

Reconciliation of operating profit to net cash inflow from operating activities	Unaudited Half-year to 30 June 2003 £m	Unaudited Half-year to 30 June 2002 £m	Audited Full year 2002 £m
Operating profit	79.9	74.6	182.1
Depreciation and amortisation	6.9	4.3	8.9
Loss/(profit) on sale of tangible fixed assets	0.1	(0.1)	0.3
Decrease/(increase) in amounts receivable from customers	29.2	54.4	(74.3)
Decrease/(increase) in stock and debtors	13.3	(33.8)	(26.3)
(Decrease)/increase in insurance accruals			
and deferred income	(15.8)	50.0	56.6
Increase/(decrease) in other creditors	1.0	(1.4)	4.2
Net cash inflow from operating activities	114.6	148.0	151.5

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

	Unaudited Half-year to 30 June 2003 £m	Unaudited Half-year to 30 June 2002 £m	Audited Full year 2002 £m
UK home credit	129.7	117.4	127.5
Yes Car Credit	(28.3)	–	–
Vanquis Bank	(2.6)	–	–
UK consumer credit	98.8	117.4	127.5
International home credit	4.3	(7.6)	(40.4)
Motor insurance	17.9	51.5	80.4
Central	(6.4)	(13.3)	(16.0)
	114.6	148.0	151.5

Notes to the financial information

1 The financial information has been prepared on the basis of the accounting policies set out in the group's 2002 statutory accounts. This financial information does not constitute a set of statutory accounts and is unaudited. This document (the 2003 interim report) will be published on the company's website, 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.

2 The information relating to the full year ended 31 December 2002 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 Taxation

The taxation charge has been calculated by applying the directors' best estimate of the effective tax rate for the year, which is 29.5% (30 June 2002 29%), to the profit before goodwill amortisation for the period.

4 Dividends paid and proposed

	Unaudited Half-year to 30 June 2003 £m	Unaudited Half-year to 30 June 2002 £m	Audited Full year 2002 £m
Interim dividend declared 13.10p (30 June 2002 12.46p)	33.1	30.3	30.3
Final dividend paid 18.44p	–	–	46.6
	33.1	30.3	76.9
Dividend cover	1.68	1.39	1.54

5 Earnings per share

The basic and diluted earnings per share figures have been calculated using the profit for the period attributable to ordinary shareholders of £55.7 million (30 June 2002 £42.2 million) and the weighted average number of shares in issue during the period. The adjusted earnings per share figures have been calculated using a profit after tax, excluding goodwill amortisation and the exceptional items, of £57.8 million (30 June 2002 £53.0 million) 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, adjusted and diluted earnings per share calculations as follows:

Weighted average number of shares	Unaudited Half-year to 30 June 2003 Number m	Unaudited Half-year to 30 June 2002 Number m	Audited Full year 2002 Number m
In issue during the period	254.2	245.4	245.7
Held by the QUEST	(1.6)	(2.1)	(2.0)
Used in basic and adjusted earnings per share calculation	252.6	243.3	243.7
Issuable on conversion of outstanding options	1.3	1.3	0.8
Used in diluted earnings per share calculation	253.9	244.6	244.5

The number of shares in issue during the period is as follows:	Number m
As at 1 January 2003 and 30 June 2003	254.2

6 Reconciliation of movement in equity shareholders' funds

	Unaudited Half-year to 30 June 2003 £m	Unaudited Half-year to 30 June 2002 £m	Audited Full year 2002 £m
Profit attributable to equity shareholders	55.7	42.2	118.6
Dividends	(33.1)	(30.3)	(76.9)
Retained profit	22.6	11.9	41.7
New share capital issued	–	0.3	50.0
Goodwill on disposal of business	–	14.8	14.8
Currency translation differences	–	–	(0.3)
Net addition to equity shareholders' funds	22.6	27.0	106.2
Equity shareholders' funds at beginning of period	402.7	296.5	296.5
Equity shareholders' funds at end of period	425.3	323.5	402.7

7 Amounts receivable from customers

a) Net amounts receivable from customers	Unaudited As at 30 June 2003 £m	Unaudited As at 30 June 2002 £m	Audited As at 31 Dec 2002 £m
UK home credit	557.3	549.9	636.2
International home credit	175.6	126.9	163.4
Home credit (note 7(b))	732.9	676.8	799.6
Yes Car Credit (note 7(d))	203.9	–	163.4
Vanquis Bank	0.4	–	–
Total	937.2	676.8	963.0
Analysed as:			
– due within one year	775.2	668.3	821.1
– due after more than one year	162.0	8.5	141.9
	937.2	676.8	963.0

b) Home credit net receivables

Gross instalment credit receivables	1,164.2	1,055.6	1,230.0
Less: provision for bad and doubtful debts	(122.6)	(103.5)	(99.6)
Instalment credit receivables after provision for bad and doubtful debts	1,041.6	952.1	1,130.4
Less: deferred revenue thereon	(308.7)	(275.3)	(330.8)
Total	732.9	676.8	799.6
Analysed as:			
– due within one year	724.2	668.3	789.7
– due after more than one year	8.7	8.5	9.9
	732.9	676.8	799.6

7 Amounts receivable from customers continued

c) Home credit bad and doubtful debts	Unaudited As at 30 June 2003 £m	Unaudited As at 30 June 2002 £m	Audited As at 31 Dec 2002 £m
Gross provision at end of period	122.6	103.5	99.6
Less: deferred revenue thereon	(40.7)	(33.4)	(34.3)
Net provision at end of period	81.9	70.1	65.3
Net provision at start of period	(65.3)	(58.7)	(58.7)
Increase in provision (net of deferred revenue)	16.6	11.4	6.6
Amounts written off (net of deferred revenue)	54.5	49.1	105.6
Net charge to profit and loss account for bad and doubtful debts	71.1	60.5	112.2
Analysed as:			
– UK home credit	51.2	46.7	85.0
– International home credit	19.9	13.8	27.2
	71.1	60.5	112.2

d) Yes Car Credit net receivables			
Gross car finance receivables	334.1	–	271.5
Less: deferred revenue thereon	(115.9)	–	(95.2)
	218.2	–	176.3
Less: provision for bad and doubtful debts	(14.3)	–	(12.9)
Total	203.9	–	163.4
Analysed as:			
– due within one year	50.6	–	31.3
– due after more than one year	153.3	–	132.1
	203.9	–	163.4

Notes to the financial information

8 Credit issued

	Unaudited Half-year to 30 June 2003 £m	Unaudited Half-year to 30 June 2002 £m	Growth
UK home credit	390.2	396.2	(1.5)%
International home credit			
Poland	107.2	87.9	22.0%
Czech Republic	33.5	31.8	5.3%
Hungary	15.4	4.1	271.6%
Slovakia	5.5	1.5	276.6%
	161.6	125.3	29.0%
	551.8	521.5	5.8%

9 Collections

	Unaudited Half-year to 30 June 2003 £m	Unaudited Half-year to 30 June 2002 £m	Growth
UK home credit	659.8	651.1	1.3%
International home credit			
Poland	150.0	116.5	28.7%
Czech Republic	50.4	40.1	25.6%
Hungary	15.5	3.5	336.5%
Slovakia	5.5	1.4	295.1%
	221.4	161.5	37.0%
	881.2	812.6	8.4%

10 Customer numbers

	Unaudited As at 30 June 2003 Number '000	Unaudited As at 30 June 2002 Number '000	Growth
UK home credit	1,608	1,574	2.2%
Yes Car Credit	44	–	
Vanquis Bank	3	–	
UK consumer credit	1,655	1,574	5.1%
Motor insurance	679	855	(20.6)%
International home credit			
Poland	750	561	33.8%
Czech Republic	212	206	3.2%
Hungary	80	27	196.2%
Slovakia	39	12	220.3%
	1,081	806	34.2%
	3,415	3,235	5.6%

Independent review report to Provident Financial plc

Introduction
We have been instructed by the company to review the financial information which comprises the consolidated profit and loss account, statement of total recognised gains and losses, consolidated balance sheet, consolidated cash flow statement and 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 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 directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which 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 for use in the United Kingdom. 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 United Kingdom 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.

This report, including the conclusion, has been prepared for, and only for, the company for the purposes of the Listing 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.

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 2003.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
23 July 2003

Shareholder information

1 The shares will be marked ex-dividend on 17 September 2003.

2 The interim dividend will be paid on 17 October 2003 to shareholders on the register at the close of business on 19 September 2003.

3 Dividend warrants/vouchers will be posted on 15 October 2003.

4 The interim report is being posted to shareholders on 15 August 2003.

5 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.

Directors

Executive directors
Robin Ashton
Chief Executive

John Harnett
Finance Director

Chris Johnstone
Managing Director, UK consumer credit

David Swann
Managing Director, international

Non-executive directors
John van Kuffeler
Chairman

Charles Gregson
Deputy Chairman and senior non-executive director

John Maxwell
Chairman of the remuneration committee

Graham Pimlott
Chairman of the audit committee

Paper specifications
One of Provident Financial's environmental objectives is to use paper as efficiently as possible. This report is produced on material which comprises 50% TCF (totally chlorine free) pulp from sustainable forests and 50% recycled and de-inked pulp from pre- and post-consumer waste.

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