**Provident Financial plc**
**Interim results for the six months ended 30 June 2017**

Provident Financial plc is the leading non-standard lender in the UK. The group serves 2.5 million customers and its operations consist of Vanquis Bank, the Consumer Credit Division (CCD) comprising Provident and Satsuma, and Moneybarn.

## Highlights

**Dividend maintained recognising the group's medium-term growth opportunities**

- First-half adjusted profit before tax[1] reduced by 22.6% to £115.3m (2016: £148.9m) and adjusted basic earnings per share[1] down by 22.6% to 60.3p (2016: 77.9p) as a result of disruption from the migration of the home credit business to a new operating model with Vanquis Bank, Moneybarn and Satsuma continuing to experience strong growth.
- First half statutory profit before tax reduced by 45.6% to £90.0m (2016: £165.4m) and basic earnings per share down 46.3% to 46.2p (2016: 86.0p).
- Annualised return on assets[2] of 13.1% to June 2017, reduced from 15.7% to June 2016, primarily due to the impact of trading disruption in home credit and the investment to support medium-term growth in Vanquis Bank.
- Interim dividend per share maintained at 43.2p (2016: 43.2p).

**Strong growth momentum in Vanquis Bank**

- 27% uplift in first half new customer bookings reflects momentum from expanded credit card proposition.
- Customer numbers and receivables growth of 13.6% and 15.3% respectively against unchanged credit standards.
- Loans pilot, currently focused on serving existing credit card customers, is progressing well.
- Adjusted profit before tax[1] up 0.3% to £100.1m (2016: £99.8m) is stated after the cost associated with the step-up in new business volumes and additional year-on-year investment of £10m to augment medium-term growth.
- Annualised return on assets[2] of 12.8% to June 2017, down from 14.2%[3] to June 2016, reflects investment in growth and expected moderation in RAM.

**CCD profitability impacted by disruption from migration to a new operating model**

- Strategic rationale for the new operating model, which delivers complete ownership and management of the customer relationship, is compelling.
- New operating model was launched on 6 July 2017 with focus through the third quarter on embedding the new model and collections.
- Higher than expected agent attrition together with reduced agent effectiveness during the transition increased impairment by approximately £40m reflecting operational disruption rather than credit quality.
- Very good progress made in developing the further lending and digital capability at Satsuma.
- Adjusted profit before tax[1] reduced by £37.2m to £6.3m (2016: £43.5m) and annualised return on assets[2] of 15.8% to June 2017, down from 22.3% to June 2016.

**Moneybarn delivers further strong growth in new business**

- Significant growth in new business volumes of 15%.
- Adjusted profit before tax[1] up 24.3% to £16.9m (2016: £13.6m).
- Stable annualised return on assets[2] of 12.8% (2016: 12.9%).

**Funding and liquidity**

- Headroom, including retail deposits capacity, sufficient to fund contractual maturities and projected growth in the business until the seasonal peak in 2018.
- Gearing of 2.7 times (2016: 2.3 times) compared with a banking covenant limit of 5.0 times.

**Key financial results**

| | H1 2017 | H1 2016 | Change |
|---|---|---|---|
| Adjusted profit before tax[1] | £115.3m | £148.9m | (22.6%) |
| Statutory profit before tax | £90.0m | £165.4m | (45.6%) |
| Adjusted basic earnings per share[1] | 60.3p | 77.9p | (22.6%) |
| Basic earnings per share | 46.2p | 86.0p | (46.3%) |
| Annualised return on assets[2] | 13.1% | 15.7% | |
| Interim dividend per share | 43.2p | 43.2p | -% |

**Peter Crook, Chief Executive, commented:**

"Whilst I remain disappointed by the higher than expected operational disruption to trading in the home credit business, the new business model was deployed as planned during the first week in July. Our focus will be on customer service, embedding the new model and improving collections through the third quarter of the year. I am confident in the strategic rationale for the change and the business is working hard to improve customer service and collections performance ahead of the seasonally busy fourth quarter.

Vanquis Bank, Moneybarn and Satsuma are booking record volumes of new business derived from a combination of product innovation and enhanced distribution.

The group has continued to exercise strong discipline around credit and not observed changes in customer behaviour in relation to either demand for credit or credit performance.

The board has maintained the interim dividend recognising the group's medium-term growth opportunities."

**Enquiries:**

Media

| | |
|---|---|
| David Stevenson/ Jade Byrne Provident Financial | 01274 351 900 |
| Nick Cosgrove/Simone Selzer, Brunswick | 020 7404 5959 |

Investor Relations

| | |
|---|---|
| Gary Thompson/Vicki Turner, Provident Financial | 01274 351 900 |

investors@providentfinancial.com

1 *Adjusted profit before tax is stated before: (i) £3.7m of amortisation in respect of acquisition intangibles established as part of the acquisition of Moneybarn in August 2014 (2016: £3.7m); and (ii) an exceptional charge of £21.6m in respect of redundancy, retention and training costs associated with the migration to the new home credit operating model within CCD (2016: gain on disposal of £20.2m in respect of Vanquis Bank's interest in Visa Europe following completion of Visa Inc.'s acquisition of Visa Europe on 21 June 2016).*

2 *Annualised return on assets is calculated as adjusted profit before interest after tax as a percentage of average receivables for the 12 months ended 30 June.*

3 *Vanquis Bank's reported annualised return on assets of 14.9% to June 2016 has been adjusted to assume the 8% corporation tax surcharge effective from 1 January 2016 was payable through the whole 12 month period in order to aid comparison.*

**INTERIM REPORT**

## Group summary

The group has reported profit before tax, amortisation of acquisition intangibles and exceptional items down 22.6% to £115.3m (2016: £148.9m). This reflects the disruption to collections and sales performance caused by a higher level of agent attrition together with reduced agent effectiveness during the migration of the home credit business to an employed workforce. Vanquis Bank, Moneybarn and Satsuma have continued to experience strong growth and reported results in line with internal plans. The group has continued to exercise strong discipline around credit and not observed changes in customer behaviour in relation to either demand for credit or credit performance.

Adjusted basic earnings per share of 60.3p (2016: 77.9p) fell by 22.6%, in line with the reduction in pre-tax profits. Statutory profit before tax reduced by 45.6% to £90.0m (2016: £165.4m) and basic earnings per share reduced by 46.3% to 46.2p (2016: 86.0p).

Vanquis Bank delivered an adjusted profit before tax of £100.1m (2016: £99.8m) after absorbing the cost associated with a step-up in new customer bookings and an additional year-on-year investment of approximately £10m to augment the medium-term growth potential of the business. New customer bookings of 234,000 were up 27% on the first half of last year, benefiting from the actions put in place during the second half of 2016 to develop the credit card proposition and enhance distribution, including the launch of the Chrome nearer prime credit card. Year-on-year customer growth of 13.6% and receivables growth of 15.3% have been delivered against continued tight credit standards which has resulted in stable delinquency through the first half of the year. In line with previous guidance, the annualised risk-adjusted margin has moderated from 32.4% to June 2016 to 31.4% to June 2017, reflecting a reduction in the revenue yield due to a further decline in the penetration of the Repayment Option Plan (ROP) product within the customer base and some moderation in the interest yield from the changing mix of business. The business continues to work on a number of partnering opportunities with other lending institutions, brokers or providers of retail finance. The loans proposition, initially to the established Vanquis Bank customer base, continues to make encouraging progress.

CCD's adjusted profit before tax in the first half of 2017 of £6.3m was £37.2m lower than the first half of 2016 (2016: £43.5m).

The new home credit operating model, which involves employing full-time Customer Experience Managers (CEMs) to serve customers rather than using self-employed agents, was launched on 6 July 2017. The migration to the new model involved a period of collective and individual consultation with employees, the recruitment and training of 2,500 CEMs, a streamlining of the field management force by approximately 400 and the deployment of further technology including routing and scheduling software. As communicated on 20 June 2017, the business experienced higher operational disruption than planned between the announcement of the reorganisation on 31 January 2017 and deployment of the new operating model. Higher than expected agent attrition resulted in a larger number of agent vacancies than anticipated which, together with reduced agent effectiveness, has resulted in an increase in impairment of approximately £40m. This reflects operational disruption rather than underlying credit quality and was the primary reason for the reduction in CCD's first-half profits. In addition, increased attrition and reduced agent effectiveness during the transition period have also resulted in a reduction in sales. Accordingly, home credit receivables ended the first half £18.3m lower than June 2016. As previously communicated, the impact of higher operational disruption on collections performance and sales is forecast to reduce the 2017 pre-exceptional profits from CCD to around £60m (2016: £115.2m).

The focus of the home credit field organisation through the third quarter of 2017 will be on embedding the new operating model, customer service and collections and arrears management in preparation for the seasonal peak in lending in the fourth quarter. The Board is confident that the strategic rationale for the transition to the new operating model is valid and that it will result in an improved medium-term financial performance, albeit from a weaker starting position than planned. The new model will enhance the customer experience by owning and managing every aspect of the customer relationship as well as also enhancing regulatory standards.

Satsuma has continued to make very good progress in developing its distribution, digital platform and further lending capability during the first half of 2017. The business is generating a strong flow of new business and further lending following the improvements made to the customer journey and product proposition in the second half of 2016, including the introduction of a monthly product. In addition, the business has continued to successfully develop its multi-channel distribution capability in the first six months of the year including the recent roll-out of the new mobile app. As a result, credit issued increased by approximately 40% during the first half of 2017. The current development trajectory of Satsuma is encouraging and customer numbers have increased from 48,000 at June 2016 to 66,000 at June 2017 and receivables increased from £12.6m to £25.2m over the same period. Start-up losses have reduced by approximately £2m during the first half of the year and Satsuma remains on track to deliver a small profit contribution for 2017 as a whole.

After 4 years as Managing Director for CCD, Mark Stevens, has left the business and Andy Parkinson, previously Home Credit Director, has stepped-up to acting Managing Director for CCD.

Moneybarn has delivered a 24.3% increase in adjusted profits to £16.9m in the first half of 2017 (2016: £13.6m). Continued development of its best in class customer platform together with extension of the product offering has enabled the business to generate new business volumes 15% higher than the first half of last year. As a result, customer numbers were 46,000 at the end of the first half, showing year-on-year growth of 27.8%, and receivables were £343.8m, showing year-on-year growth of 30.0%. The annualised risk-adjusted margin has moderated from 24.1% to December 2016 to just below 23.4% largely reflecting additional impairment associated with the step-up in new business volumes.

An exceptional charge of £21.6m has been recognised in the first half of 2017 in respect of redundancy, retention and training costs associated with the migration to the new operating model within the home credit business. In the first half of 2016, an exceptional gain on disposal of £20.2m was recognised in respect of Vanquis Bank's interest in Visa Europe Ltd following its acquisition by Visa Inc.

The group's gearing is 2.7 times (2016: 2.3 times) and compares with a banking covenant limit of 5.0 times. The increase over the last 12 months reflects the reduction in 2017 first-half profits together with strong receivables growth of over £265m. Headroom on the group's committed facilities as at 30 June 2017 amounts to £204m. Including the additional capacity for Vanquis Bank to take retail deposits up to repayment of its intercompany loan from Provident Financial, total funding capacity amounts to £377m. The group's committed debt facilities, together with the retail deposits programme at Vanquis Bank, are sufficient to fund contractual maturities and projected growth until the seasonal peak in 2018.

The interim dividend per share has been maintained at 43.2p (2016: 43.2p), notwithstanding the reduction in group earnings during the first half of 2017 and the temporary reduction in dividend cover below the group's stated minimum target of 1.25 times. In proposing the interim dividend, the board has considered the disruption to home credit earnings, the group's funding and capital position and the intention to rebuild dividend cover to the group's target level as earnings growth recovers.

**Vanquis Bank**

| | Six months ended 30 June 2017 £m | 2016 £m | Change % |
|---|---|---|---|
| Customer numbers ('000) | 1,645 | 1,448 | 13.6 |
| Period-end receivables | 1,476.8 | 1,280.8 | 15.3 |
| Average receivables | 1,440.6 | 1,252.1 | 15.1 |
| | | | |
| Revenue | 311.1 | 280.1 | 11.1 |
| Impairment | (93.1) | (80.4) | (15.8) |
| Revenue less impairment | 218.0 | 199.7 | 9.2 |
| | | | |
| Annualised revenue yield[1] | 43.9% | 45.5% | |
| Annualised risk-adjusted margin[2] | 31.4% | 32.4% | |
| | | | |
| Costs | (98.9) | (79.6) | (24.2) |
| Interest | (19.0) | (20.3) | 6.4 |
| | | | |
| Profit before tax[3] | 100.1 | 99.8 | 0.3 |
| | | | |
| Annualised return on assets[4,5] | 12.8% | 14.2% | |

1 *Revenue as a percentage of average receivables for the 12 months ended 30 June.*
2 *Revenue less impairment as a percentage of average receivables for the 12 months ended 30 June.*
3 *Profit before tax in 2016 was stated before an exceptional gain on disposal of £20.2m in respect of Vanquis Bank's interest in Visa Europe following completion of Visa Inc.'s acquisition of Visa Europe on 21 June 2016.*
4 *Profit before interest and exceptional items after tax as a percentage of average receivables for the 12 months ended 30 June.*
5 *Vanquis Bank's reported annualised return on assets of 14.9% to June 2016 has been adjusted to assume the 8% corporation tax surcharge effective from 1 January 2016 was payable through the whole 12 month period in order to aid comparison.*

Vanquis Bank has made excellent further progress in developing its credit card proposition and expanding distribution during the first half of the year which has resulted in a significant step-up in new customer bookings. In addition, the pilot loans proposition is progressing well and the business has recently launched its new mobile app. Adjusted profit before tax of £100.1m in the first half was £0.3m higher than the first half of 2016 reflecting the cost associated with the step-up in new customer bookings, additional investment spend in the initiatives to augment medium-term growth and a more modest improvement in delinquency performance relative to last year. As a result, the business has delivered an annualised return on assets of 12.8% to June 2017, lower than 14.2% to June 2016.

Whilst the marketing activity of competitors in both the direct mail and internet channels has continued, demand for non-standard credit cards continues to be strong. Against unchanged credit standards and a stable acceptance rate of around 25%, the business has delivered a 27% year-on-year increase in new customer bookings to 234,000 (2016: 184,000), benefiting from the actions put in place during the second half of 2016 to develop the credit card proposition and enhance distribution. These include the launch of the Chrome nearer prime credit card which is delivering good volumes, an 'Express Check' service which allows customers to check their likelihood of acceptance without affecting their credit score and strong volumes through price comparison websites following enhancements to improve Vanquis Bank's ranking. The business continues to work on a number of partnering opportunities with other lending institutions, brokers or providers of retail finance and is on-track to deliver full-year new customer bookings in excess of 450,000 as communicated at the Capital Markets Day on 4 April 2017.

Customer numbers ended the first half at 1,645,000 (2016: 1,448,000), up 13.6% on June 2016. The growth in customer numbers, together with the credit line increase programme to customers who have established a sound payment history, generated a 15.1% increase in average receivables. Returns from the 'low and grow' approach to extending credit remain consistently strong and are underpinned by average credit line utilisation of between 65% and 70% which delivers a strong stream of revenue whilst maintaining a relatively low level of contingent risk from undrawn credit lines.

Consistent with previous guidance, the annualised risk-adjusted margin has moderated from 32.4% to June 2016 to 31.4% to June 2017, reflecting a reduction in the revenue yield partly offset by a modest improvement in the annualised rate of impairment.

The annualised revenue yield has reduced from 45.5% to June 2016 to 43.9% to June 2017. This reflects a further reduction in the penetration of the ROP product within the customer base together with a reduction in interest yield from a change in product mix including the expansion of the product offering into the nearer prime segment of the market.

Whilst the UK employment market has improved over recent years, Vanquis Bank has continued to apply the tight credit standards put in place during the economic downturn between 2008 and 2010, a period when the business successfully delivered its minimum targeted returns. The rate of delinquency progressively reduced to record lows through the first nine months of 2016 and has subsequently remained stable, producing a 0.6% reduction in the annualised rate of impairment since June 2016.

Based on continued stable delinquency trends, together with the expected growth of Vanquis Bank's presence in the nearer prime segment of the market and some further reduction in the penetration of the ROP product, the risk-adjusted margin is expected to moderate towards 30% for 2017 as a whole. This is in line with previous guidance.

First-half costs increased by 24.2%, above the 15.1% growth in average receivables. The cost base in the first half of 2017 includes a £4m increase in acquisition costs associated with the step-up in new customer volumes together with a year-on-year increase of £10m in the expenditure to support the programme of initiatives to augment the medium-term growth of the business, including loans, digital and the group-wide Provident Knowledge Universe customer database. This rate of expenditure will continue in the second half of 2017.

Interest costs reduced by 6.4% during the first half of 2017. This reflects the reduction in Vanquis Bank's blended funding rate, after taking account of the cost of holding a liquid assets buffer, from 4.7% in the first half of 2016 to 3.7% in the first half of 2017 due to a lower average interest rate on retail deposits together with a lower group funding rate on the intercompany loan from PFG.

Loans

The Vanquis Bank loans proposition, which was launched in the second half of 2016, continues to make good progress. The focus remains on providing unsecured loans to existing credit card customers during the pilot phase in order to develop a loan specific scorecard which will assist the development of an open market proposition towards the end of the year.

**CCD**

| | Six months ended 30 June | | |
|---|---|---|---|
| | 2017 | 2016 | Change |
| | £m | £m | % |
| Customer numbers ('000) | 801 | 875 | (8.5) |
| Period-end receivables | 501.4 | 510.6 | (1.8) |
| Average receivables | 515.8 | 497.9 | 3.6 |
| Revenue | 258.4 | 255.2 | 1.3 |
| Impairment | (115.5) | (70.4) | (64.1) |
| Revenue less impairment | 142.9 | 184.8 | (22.7) |
| Annualised revenue yield[1] | 100.9% | 102.4% | |
| Annualised risk-adjusted margin[2] | 69.0% | 81.1% | |
| Costs | (125.2) | (127.2) | 1.6 |
| Interest | (11.4) | (14.1) | 19.1 |
| Profit before tax[3] | 6.3 | 43.5 | (85.5) |
| Annualised return on assets[4] | 15.8% | 22.3% | |

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

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

3 *Profit before tax in the first half of 2017 is stated before an exceptional charge of £21.6m in respect of redundancy, retention and training costs associated with the migration to the new home credit operating model.*

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

CCD has reported an adjusted profit before tax of £6.3m for the first half of 2017 (2016: £43.5m), £37.2m lower than the first half of last year, reflecting the disruption to collections and sales performance caused by higher than expected agent vacancies due to attrition together with reduced agent effectiveness during the migration of the home credit business to an employed workforce.

On 31 January 2017, the business announced a number of proposed changes to the home credit operating model in order to meet continually increasing customer expectations. The changes, which were subject to workforce consultation, involved: (i) recruiting 2,500 full-time employed CEMs to replace the 4,500 self-employed agents in order to serve customers in a way which is controlled and directed by the business and to manage every aspect of the customer relationship; (ii) streamlining the field management structure by reducing headcount from around 800 to 400 and creating new, more efficient ways of working, including the use of 160 specialist Customer Account Managers (CAMs) to focus on arrears activity; and (iii) deploying further technology including routing and scheduling software to improve efficiency and effectiveness.

Following completion of the workforce consultation, development and testing of the new software and the recruitment and training of the new field workforce through the second quarter of the year, the new operating model was launched on 6 July 2017. The first-half results reflect a one-off exceptional charge of £21.6m in respect of redundancy, retention and training costs relating to the migration to the new operating model.

As reported on 20 June 2017, the business experienced higher operational disruption than planned between the announcement of the reorganisation and deployment of the new operating model. This primarily reflected the business running with agent vacancies of around 12% due to attrition, more than double the rate anticipated, together with reduced agent effectiveness through the period of transition. This resulted in a weaker than expected collections performance, particularly in vacant agencies, which has led to a deterioration in the arrears profile and an increase in impairment of approximately £40m compared with the previous guidance of £15m provided at the Capital Markets Day on 4 April 2017. Following the significant step-up in resource and direct control over the field organisation under the new model, the focus of the field organisation through the third quarter will be on collections and arrears management in preparation for the seasonal peak in lending in the fourth quarter. Importantly, there has been no change to the underlying credit quality of the home credit receivables book and the deterioration in arrears through the first half has been caused wholly by operational disruption.

Higher than expected agent attrition together with reduced agent effectiveness during the transition also resulted in a progressive deterioration in sales penetration into the existing customer base, customer retention and sales to new customers. Accordingly, home credit customer numbers have shown a year on year reduction of 11.1% to 731,000 (2016: 822,000) and receivables ended the first half at £471.7m (2016: £490.0m), £18.3m lower than June 2016. The level of credit issued to customers is likely to show some further softness through the seasonally quiet summer months as the primary focus of the field organisation will be on collections.

The annualised revenue yield of 100.9% to June 2017 has reduced from 102.4% to June 2016. The reduction reflects the focus over the last year on serving good-quality existing customers who tend to be served with longer term, lower yielding products. The annualised ratio of impairment to average receivables has increased from 21.3% to June 2016 to 31.9% to June 2017 reflecting the disruption during the migration to the new operating model. Accordingly, the annualised risk-adjusted margin to June 2017 was 69.0%, down from 81.1% to June 2016.

Costs in 2017 of £125.2m were £2.0m or 1.6% lower than the first half of 2016. The reduction principally reflects a reduction in agents' commission costs due to the weak collections performance partly offset by additional investment in central resource in respect of IT, risk, compliance and credit and analytics.

Interest costs were 19.1% lower than the first half of 2016 compared with a 3.6% increase in average receivables. This reflects a reduction in the funding rate for the business from 7.1% in the first half of 2016 to 5.6% in the first half of 2017 due to a reduction in group borrowing costs.

As previously reported, the impact of higher operational disruption on collections performance and sales is forecast to reduce the 2017 pre-exceptional profits from CCD to around £60m (2016: £115.2m). However, the board is confident that the strategic rationale for the transition to the new operating model is valid. It will enable the business to enhance the customer experience by owning and managing every aspect of the customer relationship. This will translate into improved sales conversion, improved collections and a more cost efficient business, albeit from a weaker starting position than planned. It also enhances regulatory standards through more centralised control over a distributed workforce and greater evidencing of customers interactions.

Satsuma

Satsuma has continued to make very good progress in developing its distribution, digital platform and further lending capability during the first half of 2017 in order to develop a sustainable business in the competitive online small-sum, short-term credit market. The business is well-placed to benefit from the industry consolidation which is beginning to materialise as a result of competitive pressures, more exacting FCA regulation and the funding constraints of a number of competitors. In addition, towards the second half of the year, the business will commence a pilot into lending larger amounts of over £1,000 and beyond a year in duration which remains an underserved area within the non-standard market.

Satsuma remains the third most recognised brand within online small-sum, short-term credit. The business is generating a strong flow of new business and further lending following the improvements made to the customer journey and product proposition in the second half of 2016, including the introduction of a monthly product. In addition, the business has continued to successfully develop its multi-channel distribution capability in the first six months of the year. New customers continue to be primarily sourced through cost effective channels such as digital, social media and brokers rather than through more expensive above the line advertising. In addition, further lending to good quality existing customers continues to develop well, benefiting from the implementation of customer login last year and more recently from the roll-out of the new mobile app during the second quarter of the year. As a result, overall credit issued increased by approximately 40% during the first half of 2017.

The credit quality of lending continues to improve and is being assisted further by the deployment of a new channel-specific underwriting engine launched in March 2017.

The current development trajectory of Satsuma is encouraging and customer numbers have increased from 55,000 at December 2016 to 66,000 at June 2017 (June 2016: 48,000) and receivables increased from £18.2m to £25.2m over the same period (June 2016: £12.6m).

Start-up losses have reduced by approximately £2m during the first half of the year and Satsuma remains on track to deliver a small profit contribution for 2017 as a whole.

Management

After 4 years as Managing Director for CCD, Mark Stevens, has left the business and Andy Parkinson, previously Home Credit Director, has stepped-up to acting Managing Director for CCD.

**Moneybarn**

| | Six months ended 30 June | | |
|---|---|---|---|
| | 2017 | 2016 | Change |
| | £m | £m | % |
| Customer numbers ('000) | 46 | 36 | 27.8 |
| Period-end receivables | 343.8 | 264.4 | 30.0 |
| Average receivables | 325.1 | 245.9 | 32.2 |
| Revenue | 49.9 | 36.3 | 37.5 |
| Impairment | (13.3) | (7.0) | (90.0) |
| Revenue less impairment | 36.6 | 29.3 | 24.9 |
| Annualised revenue yield[1] | 30.8% | 29.6% | |
| Annualised risk-adjusted margin[2] | 23.4% | 24.1% | |
| Costs | (12.3) | (9.8) | (25.5) |
| Interest | (7.4) | (5.9) | (25.4) |
| Profit before tax[3] | 16.9 | 13.6 | 24.3 |
| Annualised return on assets[4] | 12.8% | 12.9% | |

1 *Revenue as a percentage of average receivables for the 12 months ended 30 June.*
2 *Revenue less impairment as a percentage of average receivables for the 12 months ended 30 June.*
3 *First half profit before tax is stated before the amortisation of acquisition intangibles of £3.7m (2016: £3.7m).*
4 *Profit before interest and the amortisation of acquisition intangibles after tax as a percentage of average receivables for the 12 months ended 30 June.*

Moneybarn has delivered a 24.3% increase in adjusted profit before tax to £16.9m (2016: £13.6m) in the first half of 2017, benefiting from further strong growth in the receivables book. The business delivered an annualised return on assets of 12.8%, modestly down from 12.9% to June 2016, reflecting additional impairment associated with the step-up in new business volumes.

New business volumes during the first half of 2017 were strong. Continued development of its best in class customer platform together with the extension of the product offering has reinforced Moneybarn's primacy amongst its broker network. As a result, new business volumes were 15% higher than the first half of last year and customer numbers ended the period at 46,000, up from 41,000 at December 2016 and 36,000 at June 2016.

Moneybarn continues to explore other opportunities to extend its product offering and distribution channels through partnering with new intermediaries, developing its digital proposition and continuing to expand its used light commercial vehicles proposition through both the existing broker network and through new sources.

The strong growth in new business volumes has resulted in receivables growth of 30.0% to £343.8m at June 2017 (June 2016: £264.4m).

Default rates have increased during the first half of 2017 reflecting the mix of business being written and the impact of the step-up in new business volumes. Moneybarn's peak in defaults is approximately 9 to 12 months following inception of a loan with risk-based revenue being recognised over the duration of the average contract life of between four and five years. As a result, Moneybarn's annualised risk-adjusted margin was 23.4% to June 2017, compared with

24.1% to December 2016 and June 2016. Underwriting on higher risk categories of business has recently been tightened but has not significantly reduced volumes.

The business has continued to invest in the resources necessary to support future growth and enhance the customer experience. Accordingly, average headcount has increased from 159 in the first half of 2016 to 198 in the first half of 2017. This has resulted in first half cost growth of 25.5%, lower than the growth in average receivables of 32.2% as the business has benefited from some operational leverage.

Interest costs have shown growth of 25.4% in the first half of 2017, lower than the growth in average receivables. The group's funding rate for Moneybarn has remained unchanged and, therefore, the lower rate of growth in interest costs reflects the retention of profits since acquisition as the capital base is built towards the group's target gearing ratio of 3.5 times.

**Central costs**

Central costs have remained stable at £8.0m during the first half of 2017 (2016: £8.0m).

**Exceptional items**

An exceptional charge of £21.6m has been recognised in the first half of 2017 in respect of redundancy, retention and training costs associated with the migration to the new operating model within the home credit business. In the first half of 2016, an exceptional gain on disposal of £20.2m was recognised in respect of Vanquis Bank's interest in Visa Europe Ltd following its acquisition by Visa Inc.

**Taxation**

The tax rate for the first half of 2017 of 24.2% (2016: 24.4%) is the estimated effective tax rate on profit before tax, amortisation of acquisition intangibles and exceptional items for the 2017 financial year and is higher than the mainstream UK statutory corporation tax rate which reduced from 20% to 19% on 1 April 2017. This reflects the impact of the bank corporation tax surcharge of 8% which came into force on 1 January 2016. The surcharge applies to Vanquis Bank profits in excess of £25m and places an additional tax cost on Vanquis Bank of approaching £15m per annum.

**Dividends**

The interim dividend per share has been maintained at 43.2p (2016: 43.2p), notwithstanding the reduction in group earnings during the first half of 2017 and the temporary reduction in dividend cover below the group's stated minimum target of 1.25 times. In proposing the interim dividend, the board has considered the disruption to home credit earnings, the group's funding and capital position and the intention to rebuild dividend cover to the group's target level as earnings growth recovers.

**Funding and capital**

The group has diverse funding and liquidity positions, including access to retail deposits within Vanquis Bank. Gearing of 2.7 times (2016: 2.3 times) compares with a banking covenant limit of 5.0 times. The increase over the last 12 months reflects the reduction in 2017 first-half profits together with strong receivables growth of over £265m.

Headroom on the group's committed facilities as at 30 June 2017 amounts to £204m. At the end of June, Vanquis Bank had taken £1,065.5m of retail deposits (72% of Vanquis Bank's receivables), up from £719.3m at 30 June 2016 (56% of Vanquis Bank's receivables). Including the additional capacity for Vanquis Bank to take retail deposits up to repayment of its intercompany loan from Provident Financial, total funding capacity amounts to £377m. The group's committed debt facilities, together with the retail deposits programme at Vanquis Bank, are sufficient to fund contractual maturities and projected growth in the business until the seasonal peak in 2018.

The group's funding rate during the first half of 2017 was 4.7%, down from 5.7% in the first half of 2016. This reflects a lower average blended rate on retail deposits and a lower average rate on the group's syndicated bank facilities.

The group's credit rating from Fitch Ratings was reviewed in June 2017 and remains unchanged at BBB with a stable outlook. This rating was reconfirmed on 20 June 2017 following the group's trading update.

In the 12 months to 30 June 2017, the group generated capital of £147.0m (2016: £248.8m) compared with dividends declared of £196.5m (2016: £180.6m). The group has absorbed surplus capital of £49.5m due to the reduction in profits and exceptional costs in home credit, the strong growth in group receivables of approximately £265m over the last 12 months, and the investment to augment the medium-term growth of Vanquis Bank.

The group's common equity tier one ratio and leverage ratio as at 30 June 2017 were 21.5% (2016: 21.3%) and 16.5% (2016: 16.5%) respectively.

## Regulation

### Transfer of regulation to the FCA

The FCA assumed responsibility for the regulation of the consumer credit industry from 1 April 2014. Vanquis Bank and Moneybarn were both fully authorised under the new regime during 2016. CCD continues to operate under an interim permission awaiting full authorisation in the context of the migration of the home credit business to a new operating model.

The ongoing supervisory framework is more exacting than was previously the case prior to the change in regulation from the Office of Fair Trading (OFT) to the FCA. In particular, the FCA place a significant focus on affordability, income verification, forbearance and general customer outcomes with the potential for adverse impacts on the group being inherently uncertain.

### FCA credit card review

In July 2016, the FCA published its final report following its market-wide study of the UK credit card industry. The FCA and UK credit card industry subsequently agreed three informational remedies which are not expected to have a significant impact on Vanquis Bank to be in place by the second quarter of 2018. On 3 April 2017, the FCA issued a consultation paper on proposals for new rules and guidance to address persistent credit card debt. These require firms to assess whether customers are at risk of developing financial difficulties and to intervene appropriately. The consultation ran until 3 July 2017 and finalisation of the proposals is expected in the second half of 2017. These proposals are additive to the remedies announced in the FCA's credit card market study final findings report issued in July 2016.

### FCA high-cost credit review

During 2016, the FCA announced a market review of the high-cost credit market during 2017. The review is currently in progress and includes: (i) a review of the High-Cost, Short-Term Credit (HCSTC) price controls and rules introduced in 2015 against payday loans and short-term credit of less than one year in duration and with an APR in excess of 100%; (ii) a review of transparency for overdraft users which the FCA consider to be high-cost credit; and (iii) a wider review of the high-cost credit market, including adjacent high-cost products such as home credit, guarantor loans, rent to own and pawn broking. The group has responded to information requests and maintained a constructive dialogue with the regulator to assist them in conducting their review. The preliminary findings from the review are expected to be published during the third quarter of 2017.

### FCA consultation on staff incentives, remuneration and performance management

On 4 July 2017, the FCA published a consultation (CP17/20) on staff incentives, remuneration and performance management in consumer credit. The proposals seek to create a requirement on firms to detect and manage the risks to customers arising from their remuneration or performance management practices. Vanquis Bank is already subject to similar requirements as a PRA-authorised and regulated bank. The group considers that its remuneration and performance management incentives in its other businesses are consistent with the proposals. In particular, following the change in operating model, the home credit business has fundamentally changed its approach to incentives, remuneration and performance management.

## IFRS 9

IFRS 9 'Financial instruments' is effective from 1 January 2018 and replaces IAS 39 'Financial instruments: Recognition and measurement'. IFRS 9 significantly changes the recognition of impairment on customer receivables by introducing an expected loss model. Under this approach, impairment provisions are recognised on inception of a loan based on the probability of default and the typical loss arising on default. This differs from the current incurred loss model under IAS 39 whereby impairment provisions are only reflected when there is objective evidence of impairment, typically a missed payment. The resulting effect is that impairment provisions under IFRS 9 are recognised earlier. This will result in a one-off adjustment to receivables and reserves on adoption and will result in later recognition of profits in growing businesses such as Vanquis Bank, Moneybarn and Satsuma.

Despite the adjustment required to receivables and net assets, it is important to note that IFRS 9 only changes the timing of profits made on a loan. The group's underwriting and scorecards will be unaffected by the change in accounting, the ultimate profitability of loan is the same under both IAS 39 and IFRS 9 and more fundamentally the cash flows and capital generation from a loan remain unchanged. The group's bank covenants are unaffected by IFRS 9, as they are calculated based on accounting standards in place prior to the introduction of IFRS 9 and, based on latest draft guidance, the regulatory capital impact of IFRS 9 is expected to be phased in on a transitional basis over five years. The group also had over £200m of distributable reserves as at 31 December 2016, more than sufficient to accommodate the impact of IFRS 9.

The group has made good progress on quantifying the impact of IFRS 9 and now expects to be in a position to provide an impact analysis at a separate presentation for analysts and shareholders to be held during the second half of the year.

## Principal risks and uncertainties

The principal risks and uncertainties affecting the group remain largely unchanged from 31 December 2016 and comprise the following risks: conduct; responsible lending; agent/customer relationship; UK regulation; EU regulation; credit; home credit collections; competition; new initiatives; change management; publicity and political; information security; supplier; IT change management; capital; liquidity; pension; tax; remuneration; recruitment and retention; and self-employment status. A full assessment of the risks and uncertainties, together with the controls and processes which are in place to monitor and mitigate the risks where possible, are set out on pages 45 to 50 of the 2016 Annual Report & Financial Statements which is available on the company's website, www.providentfinancial.com.

The most relevant risks and uncertainties for the remaining six months of the 2017 financial year are in respect of UK regulation and the execution risk relating to the embedding of the new operating model within home credit following the trading disruption experienced during the migration process. An update on the more important UK regulatory developments affecting the group and the migration of the new operating model within home credit is set out above.

## Related party transactions

There have been no changes in the nature of the related party transactions as described in note 28 to the 2016 Annual Report & Financial Statements and there have been no new related party transactions which have had a material effect on the financial position or performance of the group in the six months ended 30 June 2017.

## Outlook

Vanquis Bank, Moneybarn and Satsuma continue to experience strong demand from a combination of product innovation and enhanced distribution against unchanged credit standards. These three businesses are trading in line with current market expectations and are well set to deliver profitable growth through the remainder of 2017.

The migration of the home credit business to the new operating model took place as planned in the first week in July. There will be a strong focus on embedding the new model and on collections activity during the third quarter of the year. The Board is confident that the strategic rationale for the change in operating model is compelling. The business is resourced to normalise performance ahead of the seasonally busy fourth quarter. The full year guidance for CCD's pre-exceptional profits remains £60m.

The group will continue to exercise strong discipline around credit and has not observed changes in customer behaviour in relation to either demand for credit or credit performance in any of its businesses.

**Unaudited condensed interim financial statements**

**Consolidated income statement**

| | Note | Six months ended 30 June 2017 £m | Six months ended 30 June 2016 £m |
|---|---|---|---|
| **Revenue** | 4 | 619.4 | 571.6 |
| Finance costs | | (37.8) | (39.9) |
| Operating costs | | (296.5) | (228.9) |
| Administrative costs | | (195.1) | (137.4) |
| **Total costs** | | (529.4) | (406.2) |
| **Profit before taxation** | 4 | 90.0 | 165.4 |
| Profit before taxation, amortisation of acquisition intangibles and exceptional items | 4 | 115.3 | 148.9 |
| Amortisation of acquisition intangibles | 4 | (3.7) | (3.7) |
| Exceptional items | 4 | (21.6) | 20.2 |
| Tax charge | 5 | (23.0) | (41.2) |
| **Profit for the period attributable to equity shareholders** | | 67.0 | 124.2 |

All of the above activities relate to continuing operations.

**Consolidated statement of comprehensive income**

| | Note | Six months ended 30 June 2017 £m | Six months ended 30 June 2016 £m |
|---|---|---|---|
| **Profit for the period attributable to equity shareholders** | | 67.0 | 124.2 |
| Other comprehensive income: | | | |
| – fair value movements on cash flow hedges | | - | (0.2) |
| – actuarial movements on retirement benefit asset | 9 | 4.1 | 33.4 |
| – fair value movement in available for sale investment | 10 | 1.6 | 2.7 |
| – gain on available for sale investment recycled to the income statement | 10 | - | (20.2) |
| – exchange differences on translation of foreign operations | | (0.1) | (0.7) |
| – tax on items taken directly to other comprehensive income | | (1.0) | (1.2) |
| Other comprehensive income for the period | | 4.6 | 13.8 |
| **Total comprehensive income for the period** | | 71.6 | 138.0 |

**Earnings per share**

| | Note | Six months ended 30 June 2017 pence | Six months ended 30 June 2016 pence |
|---|---|---|---|
| Basic | 6 | 46.2 | 86.0 |
| Diluted | 6 | 45.9 | 84.8 |

**Dividends per share**

| | | Six months ended 30 June 2017 pence | Six months ended 30 June 2016 pence |
|---|---|---|---|
| Interim dividend | 7 | 43.2 | 43.2 |
| Paid in the period* | 7 | 91.4 | 80.9 |

* The total cost of dividends paid in the period was £133.4m (2016: £117.8m).

**Consolidated balance sheet**

| | Note | 30 June 2017 £m | 31 December 2016 £m | 30 June 2016 £m |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Goodwill | | 71.2 | 71.2 | 71.2 |
| Other intangible assets | | 77.6 | 78.1 | 83.4 |
| Property, plant and equipment | | 27.7 | 30.3 | 29.4 |
| Financial assets: | | | | |
| – amounts receivable from customers | 8 | 323.3 | 307.6 | 259.4 |
| Retirement benefit asset | 9 | 85.0 | 72.4 | 100.8 |
| | | 584.8 | 559.6 | 544.2 |
| **Current assets** | | | | |
| Financial assets: | | | | |
| – available for sale investment | 10 | 9.1 | 8.0 | 7.0 |
| – amounts receivable from customers | 8 | 1,998.7 | 1,999.2 | 1,796.4 |
| – cash and cash equivalents | | 206.7 | 223.7 | 165.4 |
| – trade and other receivables | | 57.3 | 36.1 | 49.0 |
| | | 2,271.8 | 2,267.0 | 2,017.8 |
| **Total assets** | 4 | 2,856.6 | 2,826.6 | 2,562.0 |
| | | | | |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Financial liabilities: | | | | |
| – bank and other borrowings | | (411.7) | (320.4) | (245.0) |
| – derivative financial instruments | 12 | (0.3) | (0.2) | - |
| – trade and other payables | | (131.9) | (104.8) | (117.7) |
| Current tax liabilities | | (48.1) | (65.6) | (64.8) |
| | | (592.0) | (491.0) | (427.5) |
| **Non-current liabilities** | | | | |
| Financial liabilities: | | | | |
| – bank and other borrowings | | (1,521.3) | (1,534.7) | (1,382.4) |
| – derivative financial instruments | 12 | - | (0.1) | (0.8) |
| Deferred tax liabilities | | (11.7) | (10.7) | (16.9) |
| | | (1,533.0) | (1,545.5) | (1,400.1) |
| **Total liabilities** | | (2,125.0) | (2,036.5) | (1,827.6) |
| **NET ASSETS** | 4 | 731.6 | 790.1 | 734.4 |
| | | | | |
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital | | 30.7 | 30.6 | 30.6 |
| Share premium | | 272.8 | 272.7 | 271.2 |
| Other reserves | | 19.4 | 24.3 | 20.1 |
| Retained earnings | | 408.7 | 462.5 | 412.5 |
| **TOTAL EQUITY** | | 731.6 | 790.1 | 734.4 |

**Consolidated statement of changes in shareholders' equity**

| | Share capital £m | Share premium £m | Other reserves £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|
| **At 31 December 2015 and 1 January 2016** | 30.5 | 270.7 | 35.6 | 370.9 | 707.7 |
| Profit for the period | - | - | - | 124.2 | 124.2 |
| – fair value movement in available for sale investment | - | - | 2.7 | - | 2.7 |
| – gain on available for sale investment recycled to the income statement | - | - | (20.2) | - | (20.2) |
| – fair value movements on cash flow hedges | - | - | (0.2) | - | (0.2) |
| – actuarial movements on retirement benefit asset (note 9) | - | - | - | 33.4 | 33.4 |
| – exchange differences on translation of foreign operations | - | - | - | (0.7) | (0.7) |
| – tax on items taken directly to other comprehensive income | - | - | 4.8 | (6.0) | (1.2) |
| Other comprehensive income for the period | - | - | (12.9) | 26.7 | 13.8 |
| **Total comprehensive income for the period** | - | - | (12.9) | 150.9 | 138.0 |
| Transactions with owners: | | | | | |
| – issue of share capital | 0.1 | 0.5 | - | - | 0.6 |
| – purchase of own shares | - | - | (0.1) | - | (0.1) |
| – transfer of own shares on vesting of share awards | - | - | 0.1 | (0.1) | - |
| – share-based payment charge | - | - | 6.0 | - | 6.0 |
| – transfer of share-based payment reserve | - | - | (8.6) | 8.6 | - |
| – dividends | - | - | - | (117.8) | (117.8) |
| **At 30 June 2016 and 1 July 2016** | 30.6 | 271.2 | 20.1 | 412.5 | 734.4 |
| Profit for the period | - | - | - | 138.7 | 138.7 |
| – fair value movement in available for sale investment | - | - | 0.4 | - | 0.4 |
| – fair value movements on cash flow hedges | - | - | 0.6 | - | 0.6 |
| – actuarial movements on retirement benefit asset (note 9) | - | - | - | (33.5) | (33.5) |
| – exchange differences on translation of foreign operations | - | - | - | (0.5) | (0.5) |
| – tax on items taken directly to other comprehensive income | - | - | (0.2) | 6.0 | 5.8 |
| – impact of change in UK tax rate | - | - | - | 0.6 | 0.6 |
| Other comprehensive income for the period | - | - | 0.8 | (27.4) | (26.6) |
| **Total comprehensive income for the period** | - | - | 0.8 | 111.3 | 112.1 |
| Transactions with owners: | | | | | |
| – issue of share capital | - | 1.5 | - | - | 1.5 |
| – share-based payment charge | - | - | 4.9 | - | 4.9 |
| – transfer of share-based payment reserve | - | - | (1.5) | 1.5 | - |
| – dividends | - | - | - | (62.8) | (62.8) |
| **At 31 December 2016 and 1 January 2017** | 30.6 | 272.7 | 24.3 | 462.5 | 790.1 |
| Profit for the period | - | - | - | 67.0 | 67.0 |
| – fair value movement in available for sale investment | - | - | 1.6 | - | 1.6 |
| – actuarial movements on retirement benefit asset (note 9) | - | - | - | 4.1 | 4.1 |
| – exchange differences on translation of foreign operations | - | - | - | (0.1) | (0.1) |
| – tax on items taken directly to other comprehensive income | - | - | (0.3) | (0.7) | (1.0) |
| Other comprehensive income for the period | - | - | 1.3 | 3.3 | 4.6 |
| **Total comprehensive income for the period** | - | - | 1.3 | 70.3 | 71.6 |
| Transactions with owners: | | | | | |
| – issue of share capital | 0.1 | 0.1 | - | - | 0.2 |
| – share-based payment charge | - | - | 3.1 | - | 3.1 |
| – transfer of share-based payment reserve | - | - | (9.3) | 9.3 | - |
| – dividends | - | - | - | (133.4) | (133.4) |
| **At 30 June 2017** | 30.7 | 272.8 | 19.4 | 408.7 | 731.6 |

**Consolidated statement of cash flows**

| | Note | Six months ended 30 June 2017 £m | 2016 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 11 | 125.6 | 164.0 |
| Finance costs paid | | (39.6) | (36.6) |
| Tax paid | | (40.5) | (26.1) |
| **Net cash generated from operating activities** | | 45.5 | 101.3 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of intangible assets | | (2.6) | (5.8) |
| Purchase of property, plant and equipment | | (8.1) | (5.0) |
| Proceeds from disposal of property, plant and equipment | | 0.9 | 0.3 |
| Proceeds from disposal of available for sale investment | 10 | - | 12.2 |
| **Net cash (used in)/generated from investing activities** | | (9.8) | 1.7 |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from bank and other borrowings | | 212.6 | 134.7 |
| Repayment of bank and other borrowings | | (134.2) | (98.2) |
| Dividends paid to company shareholders | 7 | (133.4) | (117.8) |
| Proceeds from issue of share capital | | 0.2 | 0.6 |
| Purchase of own shares | | - | (0.1) |
| **Net cash used in financing activities** | | (54.8) | (80.8) |
| | | | |
| **Net (decrease)/increase in cash, cash equivalents and overdrafts** | | (19.1) | 22.2 |
| Cash, cash equivalents and overdrafts at beginning of period | | 218.6 | 139.3 |
| **Cash, cash equivalents and overdrafts at end of period** | | 199.5 | 161.5 |
| | | | |
| **Cash, cash equivalents and overdrafts at end of period comprise:** | | | |
| Cash at bank and in hand | | 206.7 | 165.4 |
| Overdrafts (held in bank and other borrowings) | | (7.2) | (3.9) |
| **Total cash, cash equivalents and overdrafts** | | 199.5 | 161.5 |

Cash at bank and in hand includes £184.1m (2016: £141.1m) in respect of the liquid assets buffer, including other liquidity resources, held by Vanquis Bank in accordance with the PRA's liquidity regime. This buffer is not available to finance the group's day-to-day operations.

**Notes to the unaudited condensed interim financial statements**

## 1. General information

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

The company is listed on the London Stock Exchange.

The unaudited condensed interim financial statements do not constitute the statutory financial statements of the group within the meaning of section 434 of the Companies Act 2006. The statutory financial statements for the year ended 31 December 2016 were approved by the board of directors on 28 February 2017 and have been delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

The unaudited condensed interim financial statements for the six months ended 30 June 2017 have been reviewed, not audited, and were approved by the board of directors on 25 July 2017.

## 2. Basis of preparation

The unaudited condensed interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The unaudited condensed interim financial statements should be read in conjunction with the statutory financial statements for the year ended 31 December 2016 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The directors have reviewed the group's budgets, plans and cash flow forecasts for 2017 and 2018 together with outline projections for the three subsequent years. Based on this review, they are satisfied that the group has adequate resources to continue to operate for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the unaudited condensed interim financial statements.

## 3. Accounting policies

The accounting policies applied in preparing the unaudited condensed interim financial statements are consistent with those used in preparing the statutory financial statements for the year ended 31 December 2016.

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

New and amended standards and interpretations need to be adopted in the first interim financial statements issued after their effective date (or date of early adoption). There are no new IFRSs or IFRICs that are effective for the first time for the six months ended 30 June 2017 which have a material impact on the group.

## 4. Segment reporting

| | Revenue | | Profit/(loss) before taxation | |
|---|---|---|---|---|
| | Six months ended 30 June | | Six months ended 30 June | |
| | 2017 | 2016 | 2017 | 2016 |
| | £m | £m | £m | £m |
| Vanquis Bank | 311.1 | 280.1 | 100.1 | 99.8 |
| CCD | 258.4 | 255.2 | 6.3 | 43.5 |
| Moneybarn | 49.9 | 36.3 | 16.9 | 13.6 |
| Central costs | - | - | (8.0) | (8.0) |
| **Total group before amortisation of acquisition intangibles and exceptional items** | 619.4 | 571.6 | 115.3 | 148.9 |
| Amortisation of acquisition intangibles | - | - | (3.7) | (3.7) |
| Exceptional items | - | - | (21.6) | 20.2 |
| **Total group** | 619.4 | 571.6 | 90.0 | 165.4 |

Acquisition intangibles represent the fair value of the broker relationships of £75.0m which arose on the acquisition of Moneybarn in August 2014. The intangible asset was calculated based on the discounted cash flows associated with Moneybarn's core broker relationships and is being amortised over an estimated useful life of 10 years. The amortisation charge in the first half of 2017 amounted to £3.7m (2016: £3.7m).

An exceptional charge of £21.6m has been recognised in the first half of 2017 in respect of the migration to the new home credit operating model in CCD. The exceptional charge comprises redundancy costs of £14.7m, recruitment and training costs of £7.1m, enhanced agent retention commissions of £2.7m and other costs of £1.0m net of an exceptional pension credit of £3.9m associated with those employees made redundant who were part of the group's defined benefit pension scheme (see note 9).

In the first half of 2016, an exceptional gain on disposal of £20.2m was recognised in respect of Vanquis Bank's interest in Visa Europe Ltd following its acquisition by Visa Inc. (see note 10).

All of the above activities relate to continuing operations.

Revenue between business segments is not significant.

| | Segment assets | | | Net assets | | |
|---|---|---|---|---|---|---|
| | 30 June 2017 | 31 December 2016 | 30 June 2016 | 30 June 2017 | 31 December 2016 | 30 June 2016 |
| | £m | £m | £m | £m | £m | £m |
| Vanquis Bank | 1,701.4 | 1,624.1 | 1,449.6 | 388.9 | 379.9 | 363.0 |
| CCD | 564.7 | 644.9 | 577.0 | 126.2 | 155.2 | 138.6 |
| Moneybarn | 370.9 | 321.5 | 286.2 | 50.3 | 36.3 | 27.7 |
| Central | 241.5 | 304.2 | 298.7 | 166.2 | 218.7 | 205.1 |
| **Total before intra-group elimination** | 2,878.5 | 2,894.7 | 2,611.5 | 731.6 | 790.1 | 734.4 |
| Intra-group elimination | (21.9) | (68.1) | (49.5) | - | - | - |
| **Total group** | 2,856.6 | 2,826.6 | 2,562.0 | 731.6 | 790.1 | 734.4 |

Segment net assets reflect the statutory basis of the companies forming the group's business segments adjusted to assume repayment of intra-group balances and rebasing of the borrowings of CCD to reflect a borrowings to receivables ratio of 80%. The impact of this is an increase in the notional allocation of group borrowings to CCD of £21.9m (31 December 2016: £68.1m, 30 June 2016: £49.5m) 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.

The group's businesses operate principally in the UK and Republic of Ireland.

## 5. Tax charge

The tax charge for the period has been calculated by applying the directors' best estimate of the effective tax rate for the financial year of 24.2% (2016: 24.4%), to the profit before tax, amortisation of acquisition intangibles and exceptional items for the period. The tax rate reflects the impact of the bank corporation tax surcharge of 8% which came into force on 1 January 2016 and applies to Vanquis Bank profits in excess of £25m and the reduction in the mainstream UK corporation tax rate from 20% to 19% which was effective from 1 April 2017.

## 6. Earnings per share

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

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

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

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

| | Six months ended 30 June | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | |
| | 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 | | 148.0 | | | 147.5 | |
| Own shares held | | (3.1) | | | (3.0) | |
| **Basic earnings per share** | 67.0 | 144.9 | 46.2 | 124.2 | 144.5 | 86.0 |
| Dilutive effect of share options and awards | - | 1.0 | (0.3) | - | 1.9 | (1.2) |
| **Diluted earnings per share** | 67.0 | 145.9 | 45.9 | 124.2 | 146.4 | 84.8 |

**6. Earnings per share (continued)**

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

| | Six months ended 30 June | | | | | |
|---|---|---|---|---|---|---|
| | | 2017 | | | 2016 | |
| | Earnings £m | Weighted average number of shares m | Per share amount pence | Earnings £m | Weighted average number of shares m | Per share amount pence |
| **Basic earnings per share** | 67.0 | 144.9 | 46.2 | 124.2 | 144.5 | 86.0 |
| Amortisation of acquisition intangibles, net of tax | 3.0 | - | 2.1 | 3.0 | - | 2.0 |
| Exceptional items, net of tax | 17.4 | - | 12.0 | (14.6) | - | (10.1) |
| **Adjusted basic earnings per share** | 87.4 | 144.9 | 60.3 | 112.6 | 144.5 | 77.9 |
| **Diluted earnings per share** | 67.0 | 145.9 | 45.9 | 124.2 | 146.4 | 84.8 |
| Amortisation of acquisition intangibles, net of tax | 3.0 | - | 2.1 | 3.0 | - | 2.1 |
| Exceptional items, net of tax | 17.4 | - | 11.9 | (14.6) | - | (10.0) |
| **Adjusted diluted earnings per share** | 87.4 | 145.9 | 59.9 | 112.6 | 146.4 | 76.9 |

**7. Dividends**

| | | Six months ended 30 June | |
|---|---|---|---|
| | | 2017 £m | 2016 £m |
| 2015 final | - 80.9p per share | - | 117.8 |
| 2016 final | - 91.4p per share | 133.4 | - |
| **Dividends paid** | | 133.4 | 117.8 |

The directors have declared an interim dividend in respect of the six months ended 30 June 2017 of 43.2p per share (2016: 43.2p) which will amount to an estimated dividend payment of £63.1m (2016: £62.8m). 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 2017 £m | 31 December 2016 £m | 30 June 2016 £m |
|---|---|---|---|
| Vanquis Bank | 1,476.8 | 1,424.7 | 1,280.8 |
| CCD | 501.4 | 584.8 | 510.6 |
| Moneybarn | 343.8 | 297.3 | 264.4 |
| **Total group** | 2,322.0 | 2,306.8 | 2,055.8 |
| Analysed as: | | | |
| – due in more than one year | 323.3 | 307.6 | 259.4 |
| – due within one year | 1,998.7 | 1,999.2 | 1,796.4 |
| **Total group** | 2,322.0 | 2,306.8 | 2,055.8 |

CCD receivables comprise £471.7m in respect of the home credit business (31 December 2016: £560.0m, 30 June 2016: £490.0m), £25.2m in respect of Satsuma (31 December 2016: £18.2m, 30 June 2016: £12.6m) and £4.5m in respect of glo (31 December 2016: £6.6m, 30 June 2016: £8.0m).

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

| | Six months ended 30 June 2017 £m | 2016 £m |
|---|---|---|
| Vanquis Bank | 93.1 | 80.4 |
| CCD | 115.5 | 70.4 |
| Moneybarn | 13.3 | 7.0 |
| **Total group** | 221.9 | 157.8 |

Impairment in Vanquis Bank and Moneybarn is deducted from the carrying value of amounts receivable from customers by the use of an allowance account. The Vanquis Bank allowance account as at 30 June 2017 amounted to £282.8m (31 December 2016: £261.4m, 30 June 2016: £245.2m) and the Moneybarn allowance account amounted to £49.5m (31 December 2016: £34.1m, 30 June 2016: £26.2m). Within CCD, impairments are deducted directly from amounts receivable from customers without the use of an allowance account.

## 9. Retirement benefit asset

The group operates a defined benefit pension scheme: the Provident Financial Staff Pension Scheme. The scheme is of the funded, defined benefit type and has been substantially closed to new members since 1 January 2003.

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

The scheme is a UK registered pension scheme under UK legislation and is not contracted-out of the State Second Pension. The scheme is governed by a Trust Deed and Rules, with trustees responsible for the operation and the governance of the scheme. The trustees work closely with the group on funding and investment strategy decisions. The most recent actuarial valuation of the scheme was carried out as at 1 June 2015 by a qualified independent actuary. The valuation used for the purposes of IAS 19 'Employee benefits' has been based on the 2015 valuation updated by the actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at the balance sheet date. Scheme assets are stated at fair value as at the balance sheet date.

The group is entitled to a refund of any surplus, subject to tax, if the scheme winds up after all benefits have been paid.

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

| | 30 June 2017 £m | 31 December 2016 £m | 30 June 2016 £m |
|---|---|---|---|
| Fair value of scheme assets | 828.1 | 830.1 | 803.5 |
| Present value of defined benefit obligation | (743.1) | (757.7) | (702.7) |
| **Net retirement benefit asset recognised in the balance sheet** | 85.0 | 72.4 | 100.8 |

The amounts recognised in the income statement were as follows:

| | Six months ended 30 June | |
|---|---|---|
| | 2017 £m | 2016 £m |
| Current service cost | (2.1) | (2.0) |
| Interest on scheme liabilities | (9.5) | (11.1) |
| Interest on scheme assets | 10.5 | 12.4 |
| **Net charge recognised in the income statement before exceptional curtailment credit** | (1.1) | (0.7) |
| Exceptional curtailment credit (note 4) | 3.9 | - |
| **Net credit/(charge) recognised in the income statement** | 2.8 | (0.7) |

The net credit/(charge) recognised in the income statement has been included within administrative costs.

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

| | Six months ended 30 June | |
|---|---|---|
| | 2017 £m | 2016 £m |
| Fair value of scheme assets at 1 January | 830.1 | 666.4 |
| Interest on scheme assets | 10.5 | 12.4 |
| Actuarial movements on scheme assets | (4.8) | 130.8 |
| Contributions by the group | 5.7 | 5.8 |
| Net benefits paid out | (13.4) | (11.9) |
| **Fair value of scheme assets at 30 June** | 828.1 | 803.5 |

## 9. Retirement benefit asset (continued)

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

| | Six months ended 30 June 2017 £m | 2016 £m |
|---|---|---|
| Present value of defined benefit obligation at 1 January | (757.7) | (604.1) |
| Current service cost | (2.1) | (2.0) |
| Interest on scheme liabilities | (9.5) | (11.1) |
| Exceptional curtailment credit (note 4) | 3.9 | - |
| Actuarial movements on scheme liabilities | 8.9 | (97.4) |
| Net benefits paid out | 13.4 | 11.9 |
| **Present value of defined benefit obligation at 30 June** | (743.1) | (702.7) |

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

| | 30 June 2017 % | 31 December 2016 % | 30 June 2016 % |
|---|---|---|---|
| Price inflation – RPI | 3.20 | 3.25 | 2.65 |
| Price inflation – CPI | 2.10 | 2.15 | 1.65 |
| Rate of increase to pensions in payment | 3.00 | 3.00 | 2.55 |
| Inflationary increases to pensions in deferment | 2.10 | 2.15 | 1.65 |
| Discount rate | 2.50 | 2.55 | 2.75 |

A 0.1% change in the discount and inflation rates would change the present value of the defined benefit obligation by approximately £14m (31 December 2016: £15m, 30 June 2016: £13m) and £7m (31 December 2016: £7m, 30 June 2016: £6m) respectively.

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

| | Male | | | Female | | |
|---|---|---|---|---|---|---|
| | 30 June 2017 years | 31 December 2016 years | 30 June 2016 years | 30 June 2017 years | 31 December 2016 years | 30 June 2016 years |
| Current pensioner aged 65 | 21.4 | 21.8 | 21.7 | 22.9 | 23.3 | 23.3 |
| Current member aged 45 from age 65 | 22.9 | 23.5 | 23.4 | 24.5 | 25.2 | 25.1 |

If assumed life expectancies were one year greater, the net retirement benefit asset would have been reduced by approximately £30m (31 December 2016: £30m, 30 June 2016: £21m).

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

| | Six months ended 30 June 2017 £m | 2016 £m |
|---|---|---|
| Actuarial movements on scheme assets | (4.8) | 130.8 |
| Actuarial movements on scheme liabilities | 8.9 | (97.4) |
| **Actuarial movements recognised in the statement of comprehensive income in the period** | 4.1 | 33.4 |

## 10. Available for sale investment

| | 30 June 2017 £m | 31 December 2016 £m | 30 June 2016 £m |
|---|---|---|---|
| **Visa Inc. shares** | 9.1 | 8.0 | 7.0 |

The available for sale investment represents preferred stock in Visa Inc. held by Vanquis Bank following completion of Visa Inc.'s acquisition of Visa Europe Limited on 21 June 2016. In consideration for Vanquis Bank's interest in Visa Europe Limited, Vanquis Bank received cash consideration of €15.9m (£12.2m) on completion, preferred stock with an approximate value of €10.7m and deferred cash consideration of €1.4m due on the third anniversary of the completion date. The preferred stock is convertible into Class A common stock of Visa Inc. at a future date, subject to certain conditions. Following completion of the transaction in the first half of 2016, the gain of £17.5m taken through equity in 2015 in respect of the Visa Europe shares was recycled through the income statement together with the £2.7m movement in the fair value of the consideration between the 2015 year end and completion of the transaction resulting in an exceptional gain on disposal of £20.2m.

The movement in the fair value of the available for sale investment in the first half of 2017 of £1.1m reflects a £1.6m credit to the statement of comprehensive income in respect of the movement in the Visa Inc. share price net of a £0.5m charge reflected in the income statement in respect of the movement in foreign exchange rates.

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

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

| | Six months ended 30 June 2017 £m | Six months ended 30 June 2016 £m |
|---|---|---|
| **Profit after taxation** | 67.0 | 124.2 |
| Adjusted for: | | |
| – tax charge | 23.0 | 41.2 |
| – finance costs | 37.8 | 39.9 |
| – share-based payment charge | 3.1 | 6.0 |
| – retirement benefit charge before exceptional curtailment credit (note 9) | 1.1 | 0.7 |
| – exceptional pension curtailment credit (note 9) | (3.9) | - |
| – exceptional gain on disposal of available for sale investment (note 10) | - | (20.2) |
| – amortisation of intangible assets | 8.6 | 7.8 |
| – depreciation of property, plant and equipment | 4.2 | 4.5 |
| – loss on disposal of property, plant and equipment | 0.1 | 0.1 |
| Changes in operating assets and liabilities: | | |
| – amounts receivable from customers | (15.2) | (38.9) |
| – trade and other receivables | (21.2) | (15.6) |
| – trade and other payables | 26.7 | 20.1 |
| – contributions into the retirement benefit scheme (note 9) | (5.7) | (5.8) |
| **Cash generated from operations** | 125.6 | 164.0 |

## 12. Fair value disclosures

The group holds the following financial instruments at fair value:

| | 30 June 2017 £m | 31 December 2016 £m | 30 June 2016 £m |
|---|---|---|---|
| **Recurring fair value measurements:** | | | |
| **Financial liabilities** | | | |
| Interest rate swaps | (0.1) | (0.1) | (0.2) |
| Foreign exchange contracts | (0.2) | (0.2) | (0.6) |
| **Total** | (0.3) | (0.3) | (0.8) |

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

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

| | Carrying value | | | Fair value | | |
|---|---|---|---|---|---|---|
| | 30 June 2017 £m | 31 December 2016 £m | 30 June 2016 £m | 30 June 2017 £m | 31 December 2016 £m | 30 June 2016 £m |
| **Financial assets** | | | | | | |
| Amounts receivable from customers | 2,322.0 | 2,306.8 | 2,055.8 | 3,500.0 | 3,300.0 | 3,200.0 |
| **Financial liabilities** | | | | | | |
| Bank and other borrowings | (1,933.0) | (1,855.1) | (1,627.4) | (1,999.0) | (1,935.2) | (1,713.5) |

## 13. Seasonality

The group's peak period of lending to customers is in the lead-up to the Easter holidays in the first half of each financial year and then more significantly in the lead-up to Christmas in the second half of the financial year. Typically, approximately 60% of home credit loans issued by CCD are made in the second half of the financial year and the group's peak borrowing requirement arises in December. In addition, the group's accounting policies relating to revenue and impairment are an important influence on the recognition of the group's profit between the first and second halves of the financial year. The interest income earned on loans and receivables is spread on an effective yield basis over the contractual term of the group's loans and receivables resulting in revenue being split broadly evenly between the first and second halves of the financial year, notwithstanding that the larger proportion of credit is issued in the second half of the financial year. The accounting policy relating to the impairment of customer receivables requires impairments to be recognised only when there is objective evidence of impairment of a customer balance, such as a missed payment. This results in the group's largest impairment charges arising early in each financial year when customers default on loans they received in the lead-up to Christmas. Typically, the first half impairment charge in CCD represents approximately 60% of the full year impairment charge although in 2017 the operational disruption caused by the migration to the new operating model has resulted in a much larger first half impairment charge than normal.

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

**Statement of directors' responsibilities**

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

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

A list of current directors is maintained on the Provident Financial website: www.providentfinancial.com. John Straw and David Sear were appointed as directors on 1 January 2017 and Andrea Blance was appointed as a director 1 March 2017. Alison Halsey did not seek re-election as a director at the AGM on 12 May 2017. There have been no other changes in directors during the six months ended 30 June 2017.

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

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

By order of the board

Peter Crook – Chief Executive
25 July 2017

Andrew Fisher – Finance Director

**INDEPENDENT REVIEW REPORT TO PROVIDENT FINANCIAL PLC**

We have been engaged by the company to review the unaudited condensed interim financial statements in the interim report for the six months ended 30 June 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and related notes 1 to 13. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the unaudited condensed interim financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

**Directors' responsibilities**

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

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

**Our responsibility**

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

**Scope of review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the unaudited condensed interim financial statements in the interim report for the six months ended 30 June 2017 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

**Deloitte LLP**
Statutory Auditor
Birmingham, United Kingdom
25 July 2017

**Information for shareholders**

1. The interim report will be posted to shareholders on 3 August 2017.

2. The shares will be marked ex-dividend on 26 October 2017.

3. The interim dividend will be paid on 30 November 2017 to shareholders on the register at the close of business on 27 October 2017. Dividend warrants/vouchers will be posted on 28 November 2017.