

PROVIDENT INVESTMENTS plc
(Company Number 04541509)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

PROVIDENT INVESTMENTS plc
(Company Number 04541509)

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PROVIDENT INVESTMENTS plc
(Company Number 04541509)

DIRECTORS' REPORT

Provident Investments plc (the 'company') is a subsidiary of Provident Financial plc which, together with its subsidiaries, forms the Provident Financial group (the 'group'). Provident Financial plc is a public limited company, listed on the London Stock Exchange.

Principal activities

The principal activity of Provident Investments plc is to provide finance and loans to Provident Financial plc and its subsidiary companies.

Results, review of business and going concern

The income statement for the year is set out on page 6. The loss for the year of £48,000 (2013: £21,000 profit) has been deducted from (2013: added to) reserves.

Revenue and operating costs have decreased by 63% and 62% respectively in the year due to the maturity of the 2004 private placement loan notes and swaps in August 2014.

The directors expect that the business will continue in existence for the foreseeable future and the company will be able to meet its liabilities as they fall due. Accordingly, the financial statements of the company have been prepared on a going concern basis.

Exemption from preparing a strategic report

In accordance with section 414B of the Companies Act 2006, the company has taken advantage of the exemption for small companies from preparing a strategic report.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2014 (2013: £nil).

Directors

The directors of the company during the year ended 31 December 2014, all of whom were directors for the whole year then ended and up to the date of this report, were:

K J Mullen (Chairman)
A C Fisher
E G Versluys

Principal risks and uncertainties and financial risk management

The company participates in the group-wide risk management framework of Provident Financial plc. Details of the group's risk management framework together with the group's principal risks and uncertainties are set out in the annual report of Provident Financial plc.

The financial and capital risk management policies of the company are set out on pages 13 to 15.

Key performance indicators (KPIs)

The company solely operates to provide finance to fund the group. For this reason, the company's directors believe that analysis using key performance indicators for the statutory company is not necessary or appropriate for an understanding of the development, performance or position of the company.

The development, performance and position of the group as a whole, including the company, is set out in the annual report of Provident Financial plc.

Employee involvement

The company does not have any employees.

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DIRECTOR'S REPORT (CONTINUED)

Auditor information

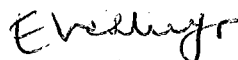
In accordance with section 418 of the Companies Act 2006, each person who is a director at the date of this report confirmed that:

- (i) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (ii) he/she has taken all reasonable steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Deloitte LLP, the auditor for the company, was appointed in 2012 and a resolution proposing their reappointment will be proposed at the forthcoming annual general meeting of the group.

BY ORDER OF THE BOARD



E G Versluys
Director
Bradford
11 March 2015

PROVIDENT INVESTMENTS plc
(Company Number 04541509)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

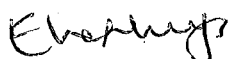
The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that the directors:

- properly select suitable accounting policies and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD



E G Versluys
Director
Bradford
11 March 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PROVIDENT INVESTMENTS plc

We have audited the financial statements of Provident Investments plc for the year ended 31 December 2014 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in shareholders' equity, the statement of cash flows, the statement of accounting policies, the financial and capital risk management report and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report.



Stewart Cumberbatch ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Birmingham, United Kingdom

11 March 2015

PROVIDENT INVESTMENTS plc
(Company Number 04541509)

INCOME STATEMENT

For the year ended 31 December	Note	2014 £'000	2013 £'000
Revenue	1	2,085	5,694
Operating costs	2	(2,138)	(5,662)
Administrative costs		(6)	(8)
(Loss)/profit before taxation	3	(59)	24
Tax credit/(charge)	4	11	(3)
(Loss)/profit for the year attributable to the equity shareholders		(48)	21

All of the above operations relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2014 £'000	2013 £'000
(Loss)/profit for the year attributable to the equity shareholders		(48)	21
Other comprehensive income:			
- cash flow hedges	6	(133)	(216)
- tax on other comprehensive income	4	28	50
- impact of change of UK tax rate	4	(2)	5
Other comprehensive loss for the year		(107)	(161)
Total comprehensive loss for the year		(155)	(140)

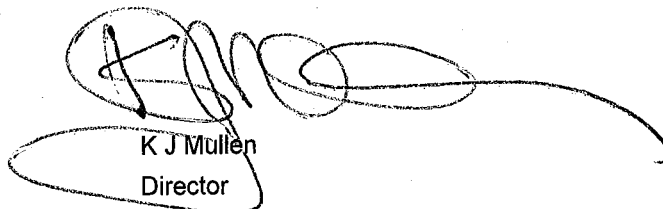
PROVIDENT INVESTMENTS plc
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BALANCE SHEET

As at 31 December	Note	2014 £'000	2013 £'000
ASSETS			
Non-current assets			
Deferred tax asset	8	13	-
Current assets			
Financial assets:			
- derivative financial instruments	6	-	5,354
- cash and cash equivalents	9	1	1
- trade and other receivables	7	358	76,090
Current tax asset		1	-
		360	81,445
Total assets		373	81,445
LIABILITIES			
Current liabilities			
Financial liabilities:			
- bank and other borrowings	10	-	(43,431)
- trade and other payables	11	(9)	(37,469)
Current tax liabilities		-	(2)
		(9)	(80,902)
Non-current liabilities			
Deferred tax liabilities	8	-	(24)
Total liabilities		(9)	(80,926)
NET ASSETS		364	519
SHAREHOLDERS' EQUITY			
Share capital	12	50	50
Hedging reserve		-	107
Retained earnings		314	362
TOTAL SHAREHOLDERS' EQUITY		364	519

The financial statements on pages 6 to 25 were approved by the board of directors on 11 March 2015 and signed on its behalf by:

A C Fisher
Director


K J Mullen
Director

PROVIDENT INVESTMENTS plc
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2013		50	268	341	659
Profit for the year		-	-	21	21
Other comprehensive income:					
- cash flow hedges	6	-	(216)	-	(216)
- tax on other comprehensive income	4	-	50	-	50
- impact of change in UK tax rate	4	-	5	-	5
Other comprehensive income for the year		-	(161)	-	(161)
Total comprehensive income for the year		-	(161)	21	(140)
At 31 December 2013		50	107	362	519
At 1 January 2014		50	107	362	519
Loss for the year		-	-	(48)	(48)
Other comprehensive income:					
- cash flow hedges	6	-	(133)	-	(133)
- tax on other comprehensive income	4	-	28	-	28
- impact of change in UK tax rate	4	-	(2)	-	(2)
Other comprehensive income for the year		-	(107)	-	(107)
Total comprehensive income for the year		-	(107)	(48)	(155)
At 31 December 2014		50	-	314	364

STATEMENT OF CASH FLOWS

	Note	2014 £'000	2013 £'000
For the year ended 31 December			
(Loss)/profit after taxation		(48)	21
Adjusted for:			
- interest received		1,141	5,115
- interest paid		(3,306)	(6,857)
- tax (credit)/charge		(11)	3
Changes in operating assets and liabilities:			
- derivative financial instruments		65	(5)
- trade and other receivables		74,589	93,400
- trade and other payables		(34,154)	(43,050)
Net cash generated from operating activities		38,276	48,627
Cash flow from financing activities			
Repayment of borrowings		(38,276)	(48,639)
Net cash used in financing activities		(38,276)	(48,639)
Net decrease in cash and cash equivalents		-	(12)
Cash and cash equivalents at beginning of year		1	13
Cash and cash equivalents at end of year		1	1
Cash and cash equivalents at end of year comprise:			
Cash at bank and in hand	9	1	1
Total cash and cash equivalents		1	1

PROVIDENT INVESTMENTS plc
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STATEMENT OF ACCOUNTING POLICIES

General information

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

The principal activity of the company is to provide finance and loans to Provident Financial plc and its subsidiary companies.

Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of derivative financial instruments to fair value. In preparing the financial statements, the directors are required to use certain critical accounting estimates and are required to exercise judgement in the application of the company's accounting policies.

The company's accounting policies are chosen by the directors to ensure that the financial statements present a true and fair view. All of the company's accounting policies are consistent with the requirements of IFRS, interpretations issued by the IFRIC and UK company law.

Principal accounting policies

The company's principal accounting policies under IFRS, which have been consistently applied to all the years presented unless otherwise stated, are set out below.

(a) New and amended standards adopted by the company:

'Offsetting financial assets and financial liabilities (amendments to IAS 32)' clarifies the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial instruments: Presentation'. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to a net settlement. There was no material impact on the company.

'Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)' are narrow-scope amendments which allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. There was no material impact on the company.

There are no other IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 that would be expected to have had a material impact on the company.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 and not early adopted:

IFRS 9, 'Financial instruments', addresses the classification measurement and recognition of financial assets and financial liabilities. The final version of the standard was issued in July 2014. The standard primarily impacts the classification and measurement of financial assets and liabilities and introduces the 'expected credit loss' model for the measurement of the impairment of financial assets so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. The company is in the process of assessing the impact of standard and will adopt the standard in line with the mandatory effective date of 1 January 2018, subject to endorsement by the EU.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a

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STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Principal accounting policies (continued)
material impact on the company.

Revenue

Revenue comprises interest income on derivative financial instruments and interest income earned from the parent company on intercompany loans.

Operating costs

Operating costs principally comprise the interest on bank and other borrowings and is recognised on an effective interest rate basis. Operating costs also include amounts payable on those derivative financial instruments held for hedging purposes which do not qualify for hedge accounting under IAS 39.

Foreign currency translation

Transactions that are not denominated in the company's functional currency are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Differences arising on translation are charged or credited to the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Bank and other borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the expected life of the borrowings using the effective interest rate.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments

The company uses derivative financial instruments, principally cross-currency swaps with an interest rate fixing element, to manage the interest rate and foreign exchange rate risk arising from the company's underlying business operations. No transactions of a speculative nature are undertaken.

All derivative financial instruments are assessed against the hedge accounting criteria set out in IAS 39, 'Financial instruments: Recognition and measurement'. Derivative financial instruments that meet the hedge accounting requirements of IAS 39 are accordingly designated as either: hedges of the fair value of recognised assets, liabilities or firm commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

The relationship between hedging instruments and hedged items is documented at the inception of a transaction, as well as the risk management objectives and strategy for undertaking various hedging transactions. The assessment of whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items is documented, both at the hedge inception and on an ongoing basis.

Derivative financial instruments are initially recognised at their fair value on the date a derivative contract is entered into and are subsequently re-measured at each reporting date to their fair value. Where derivative financial instruments do not qualify for hedge accounting, movements in their fair value are recognised immediately within the income statement. Where hedge accounting criteria have been met, the resulting gain or loss on the derivative financial instrument is recognised as follows:

Cash flow hedges:

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges are recognised in the hedging reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement as part of operating costs. Amounts accumulated in equity are recognised in the income statement when the income or expense on the hedged item is recognised in the income statement.

Hedge accounting for both fair value and cash flow hedges is discontinued when:

- it is evident from testing that a derivative is not, or has ceased to be, highly effective as a hedge; or
- the derivative financial instrument expires, or is sold, terminated or exercised; or
- the underlying hedged item matures or is sold or repaid.

When a cash flow hedging instrument expires or is sold, or when a cash flow hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is transferred to the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was previously reported in equity is immediately transferred to the income statement.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 6. Movements on the hedging reserve in shareholder's equity are shown in the statement of changes in shareholder's equity. The full fair value of a hedging derivative financial instrument is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months from the balance sheet date and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months from the balance sheet date.

PROVIDENT INVESTMENTS plc
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STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Taxation

The tax charge represents the sum of current and deferred tax. Current tax is calculated based on taxable profit for the year using tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is also provided on temporary differences, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

PROVIDENT INVESTMENTS plc
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FINANCIAL AND CAPITAL RISK MANAGEMENT

Provident Investments plc (the company) is a wholly-owned subsidiary of Provident Financial plc which, together with its subsidiaries, forms the Provident Financial group (the group).

The overall group internal control and risk management framework is the responsibility of the group board with certain responsibilities in respect of internal control and risk management being delegated to various sub-committees who report directly to the board. An overview of the group's risk management framework can be found in the annual report of Provident Financial plc.

The group operates with a centralised treasury function and therefore the funding requirements of the company are met wholly or partially via funding from Provident Financial plc or one of its subsidiaries. In addition, the allocation of capital is managed on a group basis by the centralised treasury function. Accordingly, it is inappropriate to consider the management of liquidity risk, interest rate risk, market risk and capital risk on a stand-alone company basis.

The company's activities expose it to a variety of financial risks, which can be categorised as credit risk, liquidity risk, interest rate risk and foreign exchange rate risk. These risks are monitored and managed through a centralised treasury function on a group basis. The objective of the group's risk management framework is to identify and assess the risks facing the group and to minimise the potential adverse effects of these risks on the group's financial performance.

Financial and capital risk management is overseen by the group treasury committee and further detail on the group's risk management framework is described in the group annual report.

(a) Credit risk

Credit risk is the risk that the company will suffer loss in the event of a default by a bank counterparty. A default occurs when the bank fails to honour repayments as they fall due.

The company's maximum exposure to credit risk on bank counterparties as at 31 December 2014 was £1,000 (2013: £6.7m).

Counterparty credit risk arises as a result of cash deposits placed with banks and the use of derivative financial instruments with banks and other financial institutions which are used to hedge interest rate risk and foreign exchange rate risk. Counterparty credit risk is managed by the group's treasury committee and is governed by a board approved counterparty policy which ensures that the group's cash deposits and derivative financial instruments are only made with high quality counterparties with the level of permitted exposure to a counterparty firmly linked to the strength of its credit rating. This is linked to the group's regulatory capital base in line with the group's regulatory reporting requirements on large exposures to the Prudential Regulation Authority (PRA).

(b) Liquidity risk

Liquidity risk is the risk that the company will have insufficient liquid resources available to meet its financial obligations as they fall due.

Liquidity risk is managed by the group's centralised treasury department through daily monitoring of expected cash flows in accordance with a board approved group funding and liquidity policy. This process is monitored regularly by the group treasury committee. The group treasury committee ensures that all group companies have sufficient liquid resources to meet obligations as they fall due.

PROVIDENT INVESTMENTS plc
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FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The group's funding and liquidity policy is designed to ensure that the group is able to continue to fund the growth of the business. The group therefore maintains committed borrowing facilities and access to retail deposit funding through its subsidiary, Vanquis Bank Limited, to meet forecast borrowing requirements, including contractual maturities for at least the following 12 months. As at 31 December 2014, the group's committed borrowing facilities had a weighted average maturity of 3.1 years (2013: 3.2 years) and the headroom on these committed facilities amounted to £111.5m (2013: £235.2m).

The group is less exposed than other mainstream lenders to liquidity risk as the loans issued by the home credit business, the group's largest business, are of short-term duration (typically around one year) whereas the group's borrowings extend over a number of years.

A maturity analysis of the undiscounted contractual cash flows of the company's bank and other borrowings, including derivative financial instruments, is shown below.

Financial liabilities				2014
	<1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
Trade and other payables	(9)	-	-	(9)
Total	(9)	-	-	(9)

Financial assets				Total
	<1 year £'000	1-2 years £'000	2-5 years £'000	£'000
Trade and other receivables	358	-	-	358
Total	358	-	-	358

Financial liabilities				2013
	<1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
Private placement loan notes	39,007	-	-	39,007
Trade and other payables	37,469	-	-	37,469
Total	76,476	-	-	76,476

Financial assets				Total
	<1 year £'000	1-2 years £'000	2-5 years £'000	£'000
Derivative financial instruments - settled gross	6,186	-	-	6,186
Trade and other receivables	76,090	-	-	76,090
Total	82,276	-	-	82,276

PROVIDENT INVESTMENTS plc
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FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk of a change in external interest rates which leads to an increase in the company's cost of borrowing.

The group's exposure to movements in interest rates is managed by the group treasury committee and is governed by a board approved interest rate hedging policy which forms part of the group's treasury policies.

The group seeks to limit the net exposure to changes in sterling interest rates. This is achieved through a combination of issuing fixed-rate debt and by the use of derivative financial instruments such as cross-currency swaps with an interest fixing element.

A 2% movement in the interest rate applied to borrowings during 2014 and 2013 would not have had a material impact on the group's profit before taxation or equity as the group's interest rate risk was substantially hedged.

(d) Foreign exchange rate risk

Foreign exchange rate risk is the risk of a change in foreign currency exchange rates leading to a reduction in profits or equity.

The group's exposure to movements in foreign exchange rates is monitored monthly by the group treasury committee and is governed by a board-approved foreign exchange rate risk management policy which forms part of the group's treasury policies.

The company's exposures to foreign exchange rate risk arise solely from the issuance of US dollar private placement loan notes, which were fully hedged into sterling through the use of cross-currency swaps. All US dollar private placement loan notes were settled in August 2014.

As at 31 December 2014, a 2% movement in the sterling to US dollar exchange rate would have led to a £nil (2013: £nil) movement in external borrowings with an opposite movement of £nil (2013: £nil) in the hedging reserve within equity. Due to the hedging arrangements in place, there would have been no impact on reported profits in 2014 (2013: £nil).

(e) Market risk

Market risk is the risk of loss due to adverse market movements caused by active trading positions taken in interest rates, foreign exchange markets, bonds and equities. The company's and group's policies do not permit it or the group to undertake position taking or trading books of this type and therefore it and the group do not do so.

(f) Capital risk

Capital risk is managed by the group's centralised treasury department. The group manages capital risk by focussing on capital efficiency and effective risk management. This aims to maintain sufficient, but not excessive, financial strength, optimise the debt to equity structure of the company and support any dividend payments to the parent. This takes into account the requirements of a variety of different stakeholders including shareholders, policyholders, regulators and rating agencies. A more detailed explanation of the management of capital risk can be found in the annual report of Provident Financial plc.

PROVIDENT INVESTMENTS plc
(Company Number 04541509)

NOTES TO THE FINANCIAL STATEMENTS

1 Revenue

	2014	2013
	£'000	£'000
Interest income from parent undertaking	573	1,959
Amounts receivable on cross currency swaps	1,577	3,730
Net fair value (loss)/gain on cross currency swaps	(65)	5
Total revenue	2,085	5,694

2 Operating costs

	2014	2013
	£'000	£'000
Interest payable on private placement loan notes	1,577	3,729
Amounts payable on cross currency swaps	561	1,933
Total operating costs	2,138	5,662

3 Loss/profit before taxation

	2014	2013
	£'000	£'000
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the financial statements	6	6

There were no non-audit fees paid by the company in the year (2013: £nil).

The company has no employees. The emoluments of the directors are paid by the ultimate parent company, Provident Financial plc, which makes no recharge to the company (2013: no recharge). The directors of the company are also directors of a number of subsidiary companies and it is not possible to make an accurate apportionment of their services in relation to the company.

Retirement benefits accrue to one director (2013: one director) under a defined benefit scheme and two directors (2013: two directors) under a money purchase scheme.

Three directors (2013: three directors) exercised share options/awards over shares of the company's ultimate parent company, Provident Financial plc, in the year.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Tax charge

	2014	2013
	£'000	£'000
Tax charge in the income statement		
Current tax		
- current year	-	(17)
Deferred tax (note 8)	12	15
Impact of change in UK tax rate (note 8)	(1)	(1)
Total tax credit/(charge)	11	(3)

The standard rate of UK corporation tax reduced from 23% to 21% with effect from 1 April 2014 and will further reduce rate to 20% from 1 April 2015.

As the changes to the UK statutory corporation tax rate were enacted in the 2013 Finance Act, deferred tax balances at 31 December 2013 were re-measured at 20% on the basis that the temporary differences on which the deferred tax balances were calculated were expected to reverse after 1 April 2015. In 2014, the movements in the deferred tax balances have been measured at the average statutory corporation tax rate for the year of 21.50% (2013: 23.25%). The deferred tax balances at 31 December 2014 have been re-measured at 20% as the temporary differences on which deferred tax has been calculated are expected to reverse after 1 April 2015. A tax charge of £1,000 in 2014 (2013: £1,000) represents the income statement adjustment as a result of this change. An additional deferred tax charge of £2,000 in 2014 (2013: credit of £5,000) has been taken directly to other comprehensive income, reflecting the impact of the change in UK corporation tax rate on items reflected directly in other comprehensive income.

	2014	2013
	£'000	£'000
Tax credit on items taken directly to other comprehensive income		
Current tax credit on cash flow hedges	28	50
Impact of change in UK tax rate	(2)	5
Total tax credit on items taken directly to other comprehensive income	26	55

The rate of tax credited/(charged) on the (loss)/profit before taxation for the year is lower than (2013: lower than) the average standard rate of corporation tax in the UK of 21.50% (2013: 23.25%). This can be reconciled as follows:

	2014	2013
	£'000	£'000
(Loss)/profit before taxation	(59)	24
(Loss)/profit before taxation multiplied by the average standard rate of corporation tax in the UK of 21.50% (2013: 23.25%)	13	(6)
- impact of change in UK tax rate	(1)	(1)
- adjustment in respect of prior years	(1)	4
Total tax credit/(charge)	11	(3)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Financial instruments

The following table sets out the carrying value of the company's financial assets and liabilities in accordance with the categories of financial instruments set out in IAS 39. Assets and liabilities outside the scope of IAS 39 are shown within non-financial assets/liabilities:

	2014				
	Loans and receivables £'000	Amortised cost £'000	Hedging derivatives £'000	Non- financial assets/ liabilities £'000	Total £'000
Assets					
Cash and cash equivalents	1	-	-	-	1
Trade and other receivables	358	-	-	-	358
Current tax assets	-	-	-	1	1
Deferred tax assets	-	-	-	13	13
Total assets	359	-	-	14	373
Liabilities					
Trade and other payables	-	(9)	-	-	(9)
Total liabilities	-	(9)	-	-	(9)

	2013				
	Loans and receivables £'000	Amortised cost £'000	Hedging derivatives £'000	Non- financial assets/ liabilities £'000	Total £'000
Assets					
Cash and cash equivalents	1	-	-	-	1
Derivative financial instruments	-	-	5,354	-	5,354
Trade and other receivables	76,090	-	-	-	76,090
Total assets	76,091	-	5,354	-	81,445
Liabilities					
Bank and other borrowings	-	(43,431)	-	-	(43,431)
Trade and other payables	-	(37,469)	-	-	(37,469)
Current tax liabilities	-	-	-	(2)	(2)
Deferred tax liabilities	-	-	-	(24)	(24)
Total liabilities	-	(80,900)	-	(26)	(80,926)

Under IFRS 7, 'Financial instruments: Disclosures', all derivative financial instruments are classed as Level 2, as they are not traded in an active market and the fair value is therefore determined through discounting future cash flows, using appropriate observable rates. All other financial assets and liabilities are classed as Level 1 and their fair value is equal to their carrying value.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 Derivative financial instruments

The company uses derivative financial instruments to hedge the interest rate risk and foreign exchange rate risk on its borrowings. The company does not enter into speculative transactions or positions.

The contractual/notional amounts and the fair values of derivative financial instruments are set out below:

	2014			2013		
	Contractual/ notional amount £'000	Assets £'000	Liabilities £'000	Contractual/ notional amount £'000	Assets £'000	Liabilities £'000
Cross-currency swaps	-	-	-	36,275	5,354	-
Total	-	-	-	36,275	5,354	-
Analysed as:						
- due within one year		-	-		5,354	-
- due in more than one year		-	-		-	-
Total		-	-		5,354	-

The fair value of derivative financial instruments was calculated by discounting contractual future cash flows using relevant market interest rate yield curves and foreign exchange rates prevailing at the balance sheet date.

(a) Hedging reserve movements

The movement in the hedging reserve within equity as a result of the changes in the fair value of derivative financial instruments can be summarised as follows:

	2014 £'000	2013 £'000
Hedging reserve movements		
2003 cross-currency swaps	-	(32)
2004 cross-currency swaps	133	248
Net charge to the hedging reserve	133	216

Under IFRS 7, 'Financial instruments: Disclosures', all derivative financial instruments are classed as Level 2, as they are not traded in an active market and the fair value is therefore determined through discounting future cash flows, using appropriate observable rates.

(b) (Charge)/credit to the income statement

The net charge (2013: credit) to the income statement in the year in respect of the movement in the fair value of derivative financial instruments is as follows:

	2014 £'000	2013 £'000
Net fair value (loss)/gain on 2004 cross-currency swaps	(65)	5
Net (charge)/credit to the income statement	(65)	5

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 Derivative financial instruments (continued)

(c) Cross currency swaps

The company used cross-currency swaps in order to manage the interest rate and foreign exchange rate risk arising on the company's US private placement loan notes issued in 2003 and 2004.

2003 private placement loan notes

The company put in place cross-currency swaps to swap the principal and fixed rate interest of the 2003 US dollar private placement loan notes into fixed rate sterling liabilities. The maturity dates of the cross-currency swaps matched the underlying loan notes. These swaps were designated as cash flow hedges and were deemed effective under IAS 39 until maturity.

The cross-currency swaps used to hedge the 2003 US dollar private placement loan notes matured in 2013.

The movement in the fair value of the swaps can be analysed as follows:

	2014	2013
	£'000	£'000
2003 private placement loan notes		
Liability at 1 January	-	(1,880)
Exchange rate movements	-	1,848
Charged to the hedging reserve	-	32
Liability at 31 December	-	-

The exchange rate movements reflected the translation of the 2003 US dollar private placement loan notes at the year-end exchange rate compared with the contracted rate. A corresponding entry was made to borrowings.

The amount charged to the hedging reserve reflected the difference between the movement in fair value of the cross-currency swaps and the exchange rate movements described above.

2004 private placement loan notes

The company put in place cross-currency swaps to swap the principal and fixed rate interest of the US dollar private placement loan notes issued in 2004 into floating rate sterling interest liabilities. The maturity dates of the cross-currency swaps matched the underlying loan notes.

The cross-currency swaps used to hedge the 2004 US dollar private placement loan notes matured in 2014.

The swaps comprised both cash flow hedges and fair value hedges. The cash flow hedge portion of the swaps were designated as cash flow hedges and were effective under IAS 39 until maturity.

The fair value hedge portion of the swaps were designated and were effective under IAS 39 as fair value hedges until the date of maturity. As a result, fair value movements in the swaps were charged to the income statement with a corresponding entry made to the underlying loan notes within borrowings for the effective portion of the swaps, leaving a net credit within the income statement reflecting the net fair value loss (2013: gain) on the fair value hedge up the date of maturity.

During the year to 31 December 2014 the swaps had a range of interest rates from LIBOR + 1.61% to LIBOR + 1.63% (2013: LIBOR + 1.61% to LIBOR + 1.63%) and at 31 December 2014 had a weighted average period to maturity of nil years (2013: 0.6 years).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 Derivative financial instruments (continued)

(c) Cross currency swaps (continued)

The movement in the fair value of the swaps can be analysed as follows:

	2014	2013
	£'000	£'000
2004 private placement loan notes		
Asset at 1 January	5,354	8,072
Exchange rate movements	(5,156)	(2,475)
Net fair value (loss)/gain (charged)/credited to the income statement	(65)	5
Charged to the hedging reserve	(133)	(248)
Asset at 31 December	-	5,354

The exchange rate movement of £5,156,000 credit (2013: £2,475,000 credit) reflects the difference between the translation of the 2004 US dollar private placement loan notes up to the date of maturity (2013: during the year) compared with the contracted rate. At 31 December 2013 the difference between the translation of the 2004 US dollar private placement loan notes at the year-end compared with the contracted rate amounted to a debit of £5,156,000. Corresponding entries were made within borrowings.

The amount charged to the hedging reserve reflects the difference between the movement in fair value of the cross-currency swaps and the exchange rate movements described above.

7 Trade and other receivables

As at 31 December 2014 there are no amounts due for repayment in more than one year (2013: £nil). As at 31 December 2014 there were no amounts past due and there was no impairment provision held against amounts owed by parent undertakings due for repayment in less than one year (2013: £nil). The amounts owed by parent undertaking were unsecured, due for repayment in less than one year and accrue interest at rates linked to LIBOR.

	2014	2013
	£'000	£'000
Current assets		
Amounts owed by parent undertaking	358	38,807
Amounts owed by swap counterparties	-	36,275
Prepayments and accrued income	-	1,008
Total	358	76,090

There are no amounts past due in respect of trade and other receivables due in less than one year (2013: £nil).

Amounts owed by the parent undertaking are unsecured, repayable on demand and generally accrue interest at rates linked to LIBOR.

Amounts owed by swap counterparties comprise the contracted notional amount receivable under the cross-currency swaps which are gross settled. Corresponding entries are made within trade and other payables.

The maximum exposure to credit risk of trade and other receivables in 2014 and 2013 is the carrying value of each class of receivable set out above. There is no collateral held in respect of trade and other receivables (2013: £nil).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method. As a result of the changes in corporation tax rates in 2013, deferred tax balances at 31 December 2013 were re-measured at 20% on the basis that the temporary on which the deferred tax was calculated were expected to reverse after 1 April 2015. In 2014, movements in the deferred tax balances have been measured at the average statutory corporation tax rate for the year of 21.50% (2013: 23.25%). The deferred tax balances at 31 December 2014 have then been re-measured at 20% as the temporary differences on which deferred tax has been calculated are expected to reverse after 1 April 2015. A tax charge in 2014 of £1,000 (2013: £1,000) represents the income statement adjustment to deferred tax as a result of this change. An additional deferred tax charge of £2,000 in (2013: credit of £5,000) has been taken directly to other comprehensive income, reflecting the impact of the change in corporation tax rates on items reflected directly in other comprehensive income.

The movement in the deferred tax liability during the year can be analysed as follows:

	2014	2013
Asset/(liability)	£'000	£'000
At 1 January	(24)	(93)
Credit to the income statement (note 4)	12	15
Credit on other comprehensive income prior to change in UK tax rate (note 4)	28	50
Impact of change in UK tax rate:		
- charge to the income statement (note 4)	(1)	(1)
- (charge)/credit to other comprehensive income	(2)	5
At 31 December	13	(24)

9 Cash and cash equivalents

	2014	2013
	£'000	£'000
Cash at bank and in hand	1	1

All amounts above are denoted in sterling.

Cash and cash equivalents are non-interest bearing (2013: non-interest bearing).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Bank and other borrowings

(a) Borrowing facilities and borrowings

Borrowing facilities during the years to 31 December 2014 and 31 December 2013 comprised loan notes privately placed with US institutions (see note 10(d)).

(b) Maturity profile of bank and other borrowings

There are no borrowings outstanding at 31 December 2014. At 31 December 2013 the borrowings were repayable within one year and were shown within current liabilities.

As at 31 December 2014, the weighted average period to maturity of committed facilities was nil years (2013: 0.6 years).

(c) Interest rate and currency profile of bank and other borrowings

Before taking account of the various interest rate swaps and cross-currency swap arrangements entered into by the company, the company has no interest rate risk. The foreign exchange rate exposure on borrowings was as follows:

	2014	2013
	£'000	£'000
Sterling	-	2,000
US dollar	-	41,431
Total	-	43,431

As detailed in note 6, the company has entered into various cross-currency swap arrangements to hedge the foreign exchange rate exposures on borrowings. After taking account of aforementioned cross-currency swaps, the company has no foreign exchange rate exposures to borrowings denominated in US dollars (2013: £nil).

Cross-currency swaps were put in place to swap the proceeds and liabilities for principal and interest under the US dollar denominated loan notes into sterling.

(d) Private placement loan notes

On 24 April 2003, the company issued loan notes as follows:

- (i) US\$44m of 5.81% loan notes matured and repaid on 24 April 2010; and
- (ii) US\$76m of 6.34% loan notes matured and repaid on 24 April 2013.

On 12 August 2004, the company issued loan notes as follows:

- (i) US\$30m of 6.02% loan notes matured and repaid on 12 August 2011;
- (ii) US\$67m of 6.45% loan notes matured and repaid on 12 August 2014; and
- (iii) £2m of 7.01% loan notes matured and repaid on 12 August 2014.

(e) Undrawn committed borrowing facilities

There were no undrawn committed borrowing facilities at 31 December 2014 (2013: no undrawn committed facilities).

PROVIDENT INVESTMENTS plc
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Bank and other borrowings (continued)

(f) Weighted average interest rates and periods to maturity

Before taking account of the various cross-currency swap arrangements entered into by the company, the weighted average interest rate and the weighted average period to maturity of the company's fixed rate borrowings was as follows:

	2014		2013	
	Weighted average interest rate %	Weighted average period to maturity years	Weighted average interest rate %	Weighted average period to maturity years
Sterling	-	-	7.01	0.61
US dollar	-	-	6.39	0.61

(g) Fair values

The fair values of the company's bank and other borrowings are compared to the book values as follows:

	2014		2013	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
US dollar private placement loan notes	-	-	41,431	41,952
Sterling private placement loan notes	-	-	2,000	2,133
Total	-	-	43,431	44,085

The fair value of the sterling private placement loan notes and the US dollar private placement loan notes was calculated by discounting the expected future cash flows at the relevant market interest rate yield curves prevailing at the balance sheet date.

11 Trade and other payables

	2014 £'000	2013 £'000
Current liabilities		
Amounts owed to swap counterparties	-	36,275
Amounts owed to fellow subsidiary undertakings	3	21
Accrued interest payable	-	1,167
Other payables	6	6
Total	9	37,469

The amounts owed to fellow subsidiary undertakings are unsecured, due for repayment in less than one year and generally accrue interest at rates linked to LIBOR.

Amounts owed to swap counterparties relate to the contracted notional amount payable under the cross-currency swaps which are gross settled. Corresponding entries are made within trade and other receivables.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Share capital

		2014	2013
Issued and fully paid			
Ordinary shares of £1 each	- £'000	50	50
	- number ('000)	50	50

There are no shares issued and not fully paid at the end of the year (2013: no shares).

13 Related party transactions

Details of the transactions between the company and its parent and fellow subsidiary undertakings, which comprise interest charges or credits on intra-group balances, along with any balances outstanding at 31 December 2014 are set out below:

	Interest credit		Outstanding balance	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Interest income from parent undertaking	12	26	-	-
Outstanding receivable from parent undertaking	-	-	358	38,807
Outstanding amounts payable to fellow subsidiary undertakings	-	-	(3)	(21)

14 Contingent liabilities

The company is a guarantor in respect of borrowing facilities of the ultimate parent undertaking to a maximum of £1,039.5m (2013: £1,057.5m). At 31 December 2014, the fixed and floating rate borrowings in respect of these guarantees amounted to £906.5m (2013: £800.8m). No loss is expected to arise.

15 Parent undertaking and controlling party

The immediate and ultimate parent undertaking and controlling party is Provident Financial plc, which is the smallest and largest group to consolidate these financial statements. Copies of that company's consolidated financial statements may be obtained from the Company Secretary, Provident Financial plc, No.1 Godwin Street, Bradford, BD1 2SU.