

**PROVIDENT DEVELOPMENT (2003) LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

**(Company Number 5001318)**

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**PROVIDENT DEVELOPMENT (2003) LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

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**PROVIDENT DEVELOPMENT (2003) LIMITED**

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2006

**1. Principal activities and review of business**

The principal activity of the company is the provision of business know-how and financial support to fellow subsidiary undertakings based overseas

Due to the company's year end position, the ultimate parent undertaking, Provident Financial plc has confirmed its continued support to the company. The directors of the company expect the company's position to improve as the overseas operation becomes established. In the opinion of the directors, the company's year end financial position was satisfactory

**2. Results**

The profit and loss account for the year is set out on page 5. The retained loss for the year of £9,716,078 (2005 £3,116,805) has been deducted from reserves

**3. a) Principal risks and uncertainties**

The directors of Provident Financial plc manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of Provident Development (2003) Limited's business. The principal risks and uncertainties of Provident Financial plc, which include those of the company, are reported within the 'principal risks' section of the group's annual report which does not form part of this report

**b) Key performance indicators (KPIs)**

Given the straightforward nature of the business, the company's directors are of the opinion that an analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

**4. Dividend**

The directors do not recommend the payment of a dividend (2005 nil)

**5. Directors**

The directors of the company at 31 December 2006, all of whom were directors for the whole of the year then ended, except where stated were

D R Swann                      (Chairman) (resigned 17 May 2006)  
N M Illingworth  
C L Gardner  
D E S Broadbent

**PROVIDENT DEVELOPMENT (2003) LIMITED**

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)**

**6. Directors' interests**

None of the directors holding office at 31 December 2006 had any interests in the shares of the company or any other group company, except as disclosed in the accounts of the company's parent undertakings

As permitted by statutory instrument, the register, required to be kept under Section 325 of the Companies Act 1985, does not include the interests of directors who are also directors of the company's parent undertakings

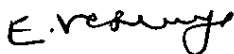
**7. Auditor information**

In so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**8. Auditors**

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment as auditors to the company will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



E G Versluys  
Company Secretary

BRADFORD

2 March 2007

**PROVIDENT DEVELOPMENT (2003) LIMITED**

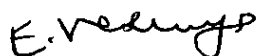
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the most appropriate accounting policies have been used and applied consistently, with the exception of changes arising on adoption of new accounting standards in the year as explained on page 7 under note 1(a) "Change in accounting policy". They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. The directors have a general responsibility to safeguard 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  
Company Secretary

BRADFORD

2 March 2007

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

**PROVIDENT DEVELOPMENT (2003) LIMITED**

We have audited the financial statements of Provident Development (2003) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

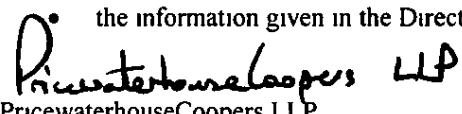
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

  
PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Leeds

7 March 2007

**PROVIDENT DEVELOPMENT (2003) LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

	<u>Notes</u>	<u>2006</u> £	<u>2005</u> £
Cost of sales		(9,105,200)	(3,530,263)
GROSS LOSS		(9,105,200)	(3,530,263)
Administrative expenses before exceptional item		(1,812,569)	(566,885)
Exceptional items	2	(2,153,000)	-
Administrative expenses		(3,965,569)	(566,885)
OPERATING LOSS	2	(13,070,769)	(4,097,148)
Interest payable and similar charges	3	(807,414)	(352,212)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(13,878,183)	(4,449,360)
Tax on loss on ordinary activities	6	4,162,105	1,332,555
RETAINED LOSS FOR THE YEAR	12	(9,716,078)	(3,116,805)

**STATEMENT OF RETAINED LOSSES**

		<u>2006</u> £	<u>2005</u> £
RETAINED LOSS AT 1 JANUARY		(5,283,524)	(2,166,719)
RETAINED LOSS FOR THE YEAR	12	(9,716,078)	(3,116,805)
RETAINED LOSS AT 31 DECEMBER		(14,999,602)	(5,283,524)

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

The company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents

**PROVIDENT DEVELOPMENT (2003) LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2006**

	<u>Notes</u>	<u>2006</u> £	<u>2005</u> £
FIXED ASSETS			
Intangible fixed assets	7	32,625	37,125
Investments	8	19	-
		<hr/>	<hr/>
CURRENT ASSETS		32,644	37,125
		<hr/>	<hr/>
Debtors falling due within one year	9	2,079,171	2,260,991
Cash at bank and in hand		50,000	50,000
		<hr/>	<hr/>
		2,129,171	2,310,991
		<hr/>	<hr/>
CREDITORS amounts falling due within one year	10	(17,111,417)	(7,581,640)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(14,982,246)	(5,270,649)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		(14,949,602)	(5,233,524)
		<hr/>	<hr/>
NET LIABILITIES		(14,949,602)	(5,233,524)
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called-up share capital	11	50,000	50,000
Profit and loss account		(14,999,602)	(5,283,524)
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' DEFICIT	12	(14,949,602)	(5,233,524)
		<hr/>	<hr/>

These financial statements on pages 5 to 12 were approved by the board of directors on 2 March 2007 and were signed on its behalf by

N M Illingworth



(Directors)

D E S Broadbent





## **PROVIDENT DEVELOPMENT (2003) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

#### **1. Principal accounting policies**

The financial statements are prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and with applicable Accounting Standards in the United Kingdom. The financial statements have been prepared on the going concern basis as the company's ultimate parent undertaking has confirmed its continued support to the company. A summary of the principal accounting policies applied in preparing the financial statements of the company for the year ended 31 December 2006 which have been applied on a consistent basis, unless otherwise stated, are set out below.

##### **a) Change in accounting policy**

The company has adopted FRS 20 "Share-based Payment". There is no impact on the financial statements for the year ended 31 December 2006 and the year ended 31 December 2005.

##### **b) Cost of sales**

Cost of sales represents costs incurred in providing support in implementing and running the international home credit operations.

##### **c) Cash flow statement**

As permitted by Financial Reporting Standard No 1 (Revised), no cash flow statement is presented as the company is a wholly owned subsidiary undertaking of Provident Financial plc and is included in the consolidated financial statements of Provident Financial plc which are publicly available.

##### **d) Deferred taxation**

Deferred taxation is provided in respect of all timing differences that have originated but not reversed at the balance sheet date and is determined using the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they will be recovered. Deferred taxation is not recognised on revalued assets unless there is a binding agreement at the balance sheet date to sell the revalued asset and the related gain has been recognised in the accounts. Deferred taxation balances are not discounted.

##### **e) Foreign exchange**

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are expressed, in sterling, at the rates of exchange ruling at the end of the financial period or the contracted rate to the extent hedged. Resultant gains or losses are taken to the profit and loss account.

##### **f) Intangible assets**

Intangible fixed assets are valued at cost less amortisation. Amortisation is charged over the expected useful life of the asset. Impairment reviews are performed in accordance with FRS 10 – intangible assets.

**PROVIDENT DEVELOPMENT (2003) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**2. Loss on ordinary activities before taxation**

The loss on ordinary activities before taxation is stated after charging

	<u>2006</u> £	<u>2005</u> £
Auditors' remuneration		
Audit services	1,100	2,000
Amortisation of intangible asset	4,500	4,500
Foreign exchange loss	71,924	187,406
Exceptional item – impairment of software licence	2,153,000	-
	<hr/>	<hr/>

The exceptional item relates to the write down of software licences purchased from a fellow group undertaking

**3. Interest payable and similar charges**

	<u>2006</u> £	<u>2005</u> £
Interest payable - group	807,414	352,212
	<hr/>	<hr/>

**4. Directors' emoluments**

None of the directors (2005 none) received any emoluments in respect of their services to the company during the year

Retirement benefits accrued to four directors (2005 four) under a defined benefit scheme during the year

During the year one director (2005 two) exercised share options in shares of the company's ultimate parent undertaking Provident Financial plc

**5. Employee information**

The average number of persons employed by the company, excluding executive directors, during the year was nil (2005 nil) All employee and related costs were borne by the company's parent undertaking or fellow subsidiary undertakings

**PROVIDENT DEVELOPMENT (2003) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**6. Tax on loss on ordinary activities**

(a) Analysis of tax credit in the year

	<u>2006</u> £	<u>2005</u> £
Current tax		
UK corporation tax on loss for the year	4,162,105	1,333,458
Adjustments in respect of prior period	-	(903)
	<hr/>	<hr/>
Total current tax (note 6(b))	4,162,105	1,332,555
	<hr/>	<hr/>
Tax on loss on ordinary activities	4,162,105	1,332,555
	<hr/>	<hr/>

(b) Factors affecting tax credit for the year

The tax credit for the year is lower (2005 lower) than the standard rate of corporation tax in the UK (30%) The differences are explained below

	<u>2006</u> £	<u>2005</u> £
Loss on ordinary activities before taxation	13,878,183	4,449,360
	<hr/>	<hr/>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	4,163,455	1,334,808
Effects of		
Expenses not deductible for tax purposes	(1,350)	(1,350)
Adjustments in respect of prior period	-	(903)
	<hr/>	<hr/>
Current tax credit for the year (note 6(a))	4,162,105	1,332,555
	<hr/>	<hr/>

(c) Factors that may affect future tax charges/(credits)

Future tax charges/(credits) are likely to be in line with the standard rate of corporation tax in the UK (30%)

**PROVIDENT DEVELOPMENT (2003) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**7. Intangible fixed assets**

	Software licences £	Know-how £	Total £
Cost at 1 January 2006	-	45,000	45,000
Additions	2,153,000	-	2,153,000
	<hr/>	<hr/>	<hr/>
At 31 December 2006	2,153,000	45,000	2,198,000
	<hr/>	<hr/>	<hr/>
<b>Amortisation</b>			
At 1 January 2006	-	7,875	7,875
Charge for year	2,153,000	4,500	2,157,500
	<hr/>	<hr/>	<hr/>
At 31 December 2006	2,153,000	12,375	2,165,375
	<hr/>	<hr/>	<hr/>
<b>Net book value at 31 December 2006</b>	-	<b>32,625</b>	<b>32,625</b>
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 2005	-	37,125	37,125
	<hr/>	<hr/>	<hr/>

**8. Investments**

Investments in subsidiary undertakings comprise

	<u>Shares at cost</u> £
At 1 January 2006	-
Additions	19
	<hr/>
At 31 December 2006	19
	<hr/>

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Class of shares issued</u>	<u>Percentage holding</u>
Provident Financial Romania S A IFN	Romania	Ordinary #	0.01%

# Shares are denominated in Romanian leu

On 27 January 2006, the company acquired 100 RON of the registered share capital of Provident Financial Romania S A IFN for a consideration of £19

**PROVIDENT DEVELOPMENT (2003) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**9. Debtors**

Amounts falling due within one year

	<u>2006</u> £	<u>2005</u> £
Amounts owed by other group undertakings	1,964,824	927,533
Corporation tax	114,347	1,333,458
	<hr/>	<hr/>
	2,079,171	2,260,991
	<hr/>	<hr/>

**10. Creditors**

Amounts falling due within one year

	<u>2006</u> £	<u>2005</u> £
Amounts owed to ultimate parent undertaking	13,647,185	6,916,773
Amounts owed to other group undertakings	3,457,150	664,867
Accruals and deferred income	7,082	-
	<hr/>	<hr/>
	17,111,417	7,581,640
	<hr/>	<hr/>

Amounts owed to the company's ultimate parent undertaking are unsecured and have no fixed date of repayment. Interest is charged at LIBOR related rates.

**11. Called-up share capital**

	<u>2006</u> £	<u>2005</u> £
<b>Authorised</b>		
50,000 ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>
<b>Allotted, called-up and fully paid</b>		
50,000 ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>

**PROVIDENT DEVELOPMENT (2003) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**12. Reconciliation of movements on equity shareholders' deficit**

	<u>2006</u> £	<u>2005</u> £
Opening equity shareholders' deficit	(5,233,524)	(2,116,719)
Retained loss for the year	(9,716,078)	(3,116,805)
	<hr/>	<hr/>
Closing equity shareholders' deficit	(14,949,602)	(5,233,524)
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**13. Financial commitments**

At 31 December 2006, the company had no annual financial or capital commitments (2005 nil)

**14. Related party disclosure**

As a wholly owned subsidiary, the company has taken advantage of the exemption in FRS 8 "Related Party Transactions" from disclosing related party transactions with other entities included in the consolidated accounts of Provident Financial plc

**15. Parent undertakings**

The immediate parent undertaking is International Personal Finance Limited (formerly named Provident International Investments Limited)

The ultimate parent undertaking and controlling party is Provident Financial plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of that company's consolidated financial statements can be obtained from the Company Secretary, Provident Financial plc, Colonnade, Sunbridge Road, Bradford, BD1 2LQ