

VANQUIS BANK LIMITED
(Company Number 2558509)

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

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VANQUIS BANK LIMITED
(Company Number 2558509)

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

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VANQUIS BANK LIMITED
(Company Number 2558509)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report and the audited financial statements of Vanquis Bank Limited ('the company') for the year ended 31 December 2009

1. Principal activities and review of the business

The principal activity of the company is the provision of credit cards

The company is a wholly owned subsidiary of Provident Financial plc and a full review of the business, results and future prospects of the company is set out in the annual report of Provident Financial plc

Details of the company's authorised and issued share capital is set out in note 17 to the financial statements

2 Results

The profit and loss account for the year is set out on page 7 The retained profit for the year of £10,605,000 (2008 £7,211,000) has been added to reserves

3. Principal risks and uncertainties

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

4. Dividends

The directors are unable to recommend the payment of a dividend (2008 £nil)

5 Key performance indicators (KPIs)

Provident Financial plc's operations are managed on a divisional basis 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 Vanquis Bank business The development, performance and position of the Vanquis Bank business is set out in the annual report of Provident Financial plc

VANQUIS BANK LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009
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6. Financial risk management

The board is responsible for determining the strategy of the company, the markets in which the company operates and the level of acceptable risk

The implementation of the strategy and the day-to-day running of the company is delegated to the executive committee which is chaired by the company's managing director and comprises his direct reports. The executive committee meets weekly and more frequently as required.

Responsibility for overseeing the monitoring of the company's systems and controls, including the operation of the internal audit function, is delegated to the company's audit committee. This committee reports directly to the company board and the audit committee of the company's parent undertaking and is chaired by a non-executive director.

In addition, the management and control of specific risks is handled by credit, risk, compliance and treasury committees. These committees, which comprise relevant directors plus specialist risk management staff, meet on a monthly basis and submit a quarterly report to the company board.

The company participates in the risk management framework of Provident Financial plc. The company maintains a risk register to monitor risks which is reviewed once every two months (or more frequently if circumstances require) by the risk committee. Risk committee reports are reviewed by the audit committee.

a) Credit risk

Credit risk is the risk that the company will suffer loss in the event of a default by a customer. The board is responsible for setting the credit policy of the company.

Credit risk is managed by the credit committee which meets at least quarterly and is responsible for ensuring that the approach to lending is within sound risk and financial parameters and that key metrics are reviewed to ensure compliance to policy.

b) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems or from interruptions to business continuity due to external events. The board is responsible for setting the operational risk policies of the company. The company's responsibility for monitoring and control over operational risk is delegated to the risk committee. The committee ensures that all operational processes and procedures are subjected to an appropriate level of risk identification, assessment and review and is responsible for implementing and monitoring appropriate internal controls to mitigate these risks.

c) Compliance with legal and regulatory requirements

Regulatory risk is the risk of loss arising from a breach of existing regulation or regulatory changes in the markets within which the company operates. The board is responsible for compliance with legal and regulatory requirements. The key areas of focus relate to the Financial Services Authority (banking regulation and deposit taking requirements including anti-money laundering controls and treating customers fairly), VISA (card issuing requirements), the Office of Fair Trading (Consumer Credit Act 1974 (as amended) requirements) and the Office of the Information Commissioner (Data Protection Act 1998 requirements). The company's responsibility for monitoring and control of compliance issues is delegated to the compliance committee.

VANQUIS BANK LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009
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6 Financial risk management (continued)

d) Financial markets risk

The board is responsible for setting the treasury policy of the company (covering interest rate, bank counterparty, liquidity and capital adequacy risks). Responsibility for the day-to-day monitoring and control of these risks is delegated to the finance director and the treasury committee. The company is also monitored within a group treasury framework managed by the treasury committee of the company's immediate parent undertaking. The company is represented formally on this committee by the company's finance director.

The company is currently funded principally by shareholder capital and loans from its parent undertaking, Provident Financial plc. It does not engage directly in interest rate hedging although interest rate hedging is undertaken by Provident Financial plc on its external borrowings in accordance with strict board approved treasury policies.

Liquidity risk is monitored daily by the finance director. Liquidity reports are provided to the board, the treasury committee of the company's immediate parent undertaking and the company's executive committee on a monthly basis. The liquidity exposure for the company arises primarily from undrawn customer credit facilities. Liquidity requirements are currently covered by committed borrowing facilities provided by the company's immediate parent undertaking.

The company does not take active trading positions in interest rates, foreign exchange markets, bonds or equities.

7 Directors

The directors of the company at 31 December 2009, all of whom were directors for the whole of the year then ended and up to the date of signing the financial statements, except where stated, were

PS Crook	Chairman
MS Hutko	Marketing Director
MC Lenora	Managing Director
IW Lindsey	Non-executive Director
AC Fisher	Non-executive Director
RM van Breda	Finance Director
JN Scarpinato	Non-executive Director (resigned 1 July 2009)

8 Employee involvement

Involvement in the company's activities and interest in its progress are encouraged by a variety of means. These include the distribution of a report for employees which explains and comments on the Provident Financial plc group's published annual results, team briefings, staff meetings, conferences and annual pensions newsletters. A Save-As-You-Earn share option scheme is operated by the group to reinforce staff involvement in the group and to encourage an interest in its progress. The current scheme is open to all permanent employees of the company with more than six months service who work at least one hour a week.

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

9 Disabled persons

It is the company's policy to make no differentiation between the disabled and the able-bodied in recruitment, career development and promotion. Arrangements are made where possible for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

10 Supplier policy statement

The company agrees terms and conditions for its business transactions with suppliers and payment is made in accordance with these, subject to the terms and conditions being met by the supplier.

The trade creditors balance as at 31 December 2009 represents 21 days of purchases (2008: 30 days).

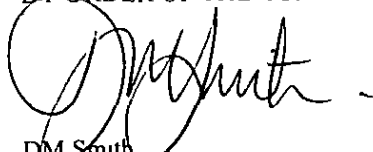
11 Auditor information

As 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 they ought to have taken as a director in order to make themselves aware of the relevant audit information and to establish that the company's auditors are aware of that information.

12. Independent auditors

PricewaterhouseCoopers LLP will continue as auditors to the company for the next financial year.

BY ORDER OF THE BOARD



DM Smith
Company Secretary

23 March 2010

VANQUIS BANK LIMITED
(Company Number 2558509)

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



DM Smith
Company Secretary

23 March 2010

VANQUIS BANK LIMITED
(Company Number 2558509)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VANQUIS BANK LIMITED

We have audited the financial statements of Vanquis Bank Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 5 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 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. This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

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.

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 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters 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

Mark Hannam

Mark Hannam (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
23 March 2010

VANQUIS BANK LIMITED
(Company Number 2558509)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

	<u>Notes</u>	<u>2009</u> £'000	<u>2008</u> £'000
Interest receivable	2a	90,864	70,113
Interest payable		(13,502)	(9,023)
		<hr/>	<hr/>
NET INTEREST INCOME		77,362	61,090
Fees and commissions receivable	2b	50,930	33,369
Fees and commissions payable		(936)	(849)
		<hr/>	<hr/>
OPERATING INCOME		127,356	93,610
Administrative expenses	3	(40,342)	(38,480)
Depreciation	9	(1,243)	(1,059)
Provisions for bad and doubtful debts	8	(72,283)	(45,077)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	13,488	8,994
Tax charge on profit on ordinary activities	6	(2,883)	(1,783)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18	10,605	7,211
		<hr/>	<hr/>

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

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



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

VANQUIS BANK LIMITED
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BALANCE SHEET AS AT 31 DECEMBER 2009

	<u>Notes</u>	<u>2009</u> £'000	<u>2008</u> £'000
ASSETS			
Loans and advances to banks	7a	174	164
Items in the course of collection from banks		1,294	819
Investments		112	-
Loans and advances to customers	7b	255,343	205,729
Tangible fixed assets	9	2,837	2,669
Other assets	10	1,398	7,038
Prepayments and accrued income	11	10,881	10,129
TOTAL ASSETS		272,039	226,548
LIABILITIES AND SHAREHOLDERS' FUNDS			
Customer deposits	12	17	17
Other liabilities	13	211,203	176,861
Accruals and deferred income		2,134	2,939
TOTAL LIABILITIES		213,354	179,817
Called-up share capital	17	74,200	74,200
Profit and loss account – deficit	18	(15,515)	(27,469)
Equity shareholders' funds	19	58,685	46,731
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		272,039	226,548

The financial statements on pages 7 to 23 were approved by the board of directors on 23 March 2010 and were signed on its behalf by

M C Lenora)
)
 R M van Breda) Directors

VANQUIS BANK LIMITED
(Company Number 2558509)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. Principal accounting policies

The financial statements of the company are prepared on the going concern basis under the historical cost convention in accordance with the special provisions of SI2008/410 relating to banking companies and/or banking groups, and in accordance with applicable accounting standards of the UK Accounting Standards Board and Recommended Accounting Practice issued by the British Bankers' Association. The principal accounting policies are set out below.

a) Income recognition

Interest is calculated on credit card advances to customers on daily balances outstanding. This is taken to the profit and loss account on a corresponding daily basis after accounting for interest free periods.

Fees charged to customers' credit card accounts are taken to the profit and loss account at the time the charges are made to customers on the basis that there is no recourse on these fees and the company's performance is complete.

Provisions for suspended interest and fees are made in respect of interest and fees charged after the date a customer credit card account falls into arrears, together with any unpaid interest and fees outstanding at the time the account went into arrears. The provision is calculated based on formulae which reflect the expected performance of the various categories of delinquent debtors in accordance with the calculation of provisions for bad and doubtful debts as set out in note (b) below.

Interest receivable on loans is accrued within revenue over the life of each loan.

b) Provisions for bad and doubtful debts and written off debt

Provisions for bad and doubtful debts are calculated based on formulae which reflect the expected performance of the various categories of delinquent debtors. These formulae apply factors (which represent the estimated probabilities that balances will be irrecoverable) to a seasonally adjusted aged analysis of outstanding customer credit card balances in arrears.

c) Loans and advances to customers

Loans and advances are stated net of provisions for bad and doubtful debts, and interest and fees in suspense.

d) Tangible fixed assets

Depreciation of tangible fixed assets has been calculated by reference to the expected lives of the assets concerned. The following are the principal bases:

	<u>%</u>	<u>Basis</u>
Short leasehold buildings	Over the lease period	Straight line
Equipment, including computers and capitalised software	10 - 33 ^{1/3} %	Straight line

VANQUIS BANK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

1 Principal accounting policies (continued)

e) Operating leases

Operating leases are defined as leases in which a significant portion of the risks and rewards of ownership are retained by the lessor

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term

f) Pension scheme arrangements

Contributions to defined contribution pension schemes are charged to the profit and loss account on an accruals basis

g) Deferred tax

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 balances are not discounted

h) Cash flow statement

As permitted by Financial Reporting Standard (FRS) 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

VANQUIS BANK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

1 Principal accounting policies (continued)

i) Share-based payments

The ultimate parent company, Provident Financial plc, grants options under senior executive share option schemes (ESOS/SESO) and employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)) and makes awards under the Performance Share Plan (PSP) and the Long-Term Incentive Scheme (LTIS). All of the schemes are equity-settled.

The cost of providing options and awards to company employees is charged to the income statement over the vesting period of the related options and awards. The corresponding credit is made to a share-based payment reserve within equity.

The cost of options and awards is based on fair value. For ESOS/SESO, SAYE and PSP schemes the performance conditions are based on earnings per share (EPS). Accordingly, the fair value of options and awards is determined using a binomial option pricing model which is a suitable model for valuing options with internal related targets such as EPS. The value of the charge is adjusted at each balance sheet date to reflect lapses and expected and actual levels of vesting, with a corresponding adjustment to the share-based payment reserve.

For the 2007 and 2008 LTIS schemes, performance conditions are based on Total Shareholder Return (TSR). Accordingly, the fair value of awards was determined using a Monte Carlo option pricing model as this is the most appropriate model for valuing options with external related targets such as TSR. For the 2009 LTIS scheme, performance conditions are based on a combination of both EPS and TSR targets. Accordingly, the fair value of awards was determined using a combination of the Monte Carlo and binomial option pricing models. The value of the charge is adjusted at each balance sheet date to reflect lapses. Where the Monte Carlo option pricing model is used to determine fair value, no adjustment is made to reflect expected and actual levels of vesting as the probability of the awards vesting is taken into account in the initial calculation of the fair value of the awards.

A transfer is made from the share-based payment reserve to retained earnings on vesting or when options and awards lapse. In accordance with the transitional provisions of FRS 20, 'Share-based payment', the company has elected to apply FRS 20 to grants, options and other equity instruments granted after 7 November 2002 and not vested at 1 January 2005.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

2 Income

a) Interest receivable	<u>2009</u> £'000	<u>2008</u> £'000
Loans and advances to customers	90,864	70,113
	<hr/>	<hr/>
b) Fees and commissions receivable	<u>2009</u> £'000	<u>2008</u> £'000
Fees receivable from other group companies	278	830
Credit card fees	50,652	32,539
	<hr/>	<hr/>
	50,930	33,369
	<hr/>	<hr/>

3 Administrative expenses

	<u>2009</u> £'000	<u>2008</u> £'000
Staff costs		
- wages and salaries	11,336	10,842
- social security costs	1,174	1,280
- other pension costs (note 14)	939	564
- other staff benefits	435	447
- share-based payment charge (note 16)	1,349	1,009
Other administrative expenses	25,109	24,338
	<hr/>	<hr/>
Total administrative expenses	40,342	38,480
	<hr/>	<hr/>

The average monthly number of persons employed by the company during the year, including directors, was as follows

	<u>2009</u> Number	<u>2008</u> Number
Full-time	379	319
Part-time	60	39
	<hr/>	<hr/>
	439	358
	<hr/>	<hr/>

VANQUIS BANK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging	<u>2009</u>	<u>2008</u>
	£'000	£'000
Operating lease rentals other	2,706	1,766
Depreciation	1,243	1,059
Services provided by the company's auditors		
Fees payable for the audit	52	45
Fees payable for non-audit services	13	10
Management charge from ultimate parent company	1,045	1,035
Share based payment charge (note 16)	1,349	1,009
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5. Directors' emoluments

	<u>2009</u>	<u>2008</u>
	£'000	£'000
Aggregate emoluments	851	1,122
Pension contributions	190	145
	<hr/>	<hr/>
Total	1,041	1,267
	<hr/>	<hr/>

The emoluments of the highest paid director during the year, excluding pension contributions were £357,131 (2008 £508,446) Pension contributions of £106,138 (2008 £78,750) were also made during the year by the company in respect of this director

The above directors emoluments do not include the emoluments of P S Crook or A C Fisher, which are paid by the parent company and recharged to the company as part of a management charge This management charge, which in 2009 amounted to £1,045,000 (2008 £1,035,000) also includes a recharge of administration costs borne by the parent company on behalf of the company and it is not possible to identify separately the emoluments of these directors

During the year no directors (2008 none) exercised share options over shares of the company's parent undertaking, Provident Financial plc Retirement benefits are accruing for 2 (2008 2) directors under the group stakeholder scheme

6 Tax charge on profit on ordinary activities

a) Analysis of tax charge in the year	<u>2009</u>	<u>2008</u>
	£'000	£'000
UK corporation tax at 28.0% (2008 28.5%)		
Current year	4,210	1,511
Prior year	(891)	559
	<hr/>	<hr/>
Total current year tax charge (note 6(b))	3,319	2,070
Deferred tax		
Origination and reversal of timing differences (note 10(c))	(436)	(287)
	<hr/>	<hr/>
Total tax charge	2,883	1,783
	<hr/>	<hr/>

VANQUIS BANK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

6. Tax charge on profit on ordinary activities (continued)

b) Factors affecting the tax charge for the period

The tax charge (2008 charge) for the year is lower (2008 lower) than the average standard rate of corporation tax in the UK 28.0% (2008 28.5%). The differences are explained below

	<u>2009</u> £'000	<u>2008</u> £'000
Profit on ordinary activities before taxation	13,488	8,994
Profit on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 28.0% (2008 28.5%)	3,777	2,563
Effects of		
Prior year adjustments	(891)	559
Expenses not deductible for tax purposes	18	35
Depreciation in excess of capital allowances	38	22
Utilisation of brought forward losses	-	(1,396)
Other timing differences	377	287
Current tax charge for the year (note 6(a))	3,319	2,070

7. Loans and advances

a) Loans and advances to banks

	<u>2009</u> £'000	<u>2008</u> £'000
With agreed maturity dates or periods of notice, by remaining maturity		
- three months or less	174	164

b) Loans and advances to customers

	<u>2009</u> £'000	<u>2008</u> £'000
With agreed maturity dates or periods of notice, by remaining maturity		
- three months or less	289,865	227,586
Provisions for bad and doubtful debts (note 8)	(26,282)	(17,776)
Suspended interest and fees	(8,240)	(4,081)
	255,343	205,729

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

8. Provisions for bad and doubtful debts

	<u>2009</u> £'000	<u>2008</u> £'000
At 1 January	17,776	14,386
Charged to the profit and loss account	72,283	45,077
Amounts written off	(63,777)	(41,687)
	<hr/>	<hr/>
At 31 December	26,282	17,776
	<hr/>	<hr/>

9. Tangible fixed assets

	<u>Short leasehold land and buildings</u> £'000	<u>Equipment</u> £'000	<u>Total</u> £'000
Cost			
At 1 January 2009	652	6,852	7,504
Additions	25	1,474	1,499
Disposals	(157)	(2,300)	(2,457)
	<hr/>	<hr/>	<hr/>
At 31 December 2009	520	6,026	6,546
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2009	375	4,460	4,835
Charge for the year	112	1,131	1,243
Eliminated on disposal	(150)	(2,219)	(2,369)
	<hr/>	<hr/>	<hr/>
At 31 December 2009	337	3,372	3,709
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 2009	183	2,654	2,837
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 2008	277	2,392	2,669
	<hr/>	<hr/>	<hr/>

Short leasehold land and buildings shown above represent leasehold improvements

10 Other assets

(a) Other assets

	<u>2009</u> £'000	<u>2008</u> £'000
Trade debtors	397	334
Amounts due from parent undertaking	-	6,139
Deferred tax (note 10(b))	1,001	565
	<hr/>	<hr/>
	1,398	7,038
	<hr/>	<hr/>

The amounts due from the parent undertaking are unsecured, repayable on demand and bear interest at rates linked to LIBOR

VANQUIS BANK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

10 Other assets (continued)

(b) The deferred tax asset recognised in the accounts is as follows

	<u>2009</u> £'000	<u>2008</u> £'000
Accelerated capital allowances	227	183
Other timing differences	774	382
	<u>1,001</u>	<u>565</u>

(c) The movement in the deferred tax asset during the year is as follows

	<u>2009</u> £'000	<u>2008</u> £'000
At 1 January	565	278
Credit to profit and loss account (note 6(a))	436	287
At 31 December	<u>1,001</u>	<u>565</u>

11. Prepayments and accrued income

	<u>2009</u> £'000	<u>2008</u> £'000
Interest receivable	5,659	4,318
Prepayments	5,222	5,811
	<u>10,881</u>	<u>10,129</u>

12. Customer deposits

	<u>2009</u> £'000	<u>2008</u> £'000
Repayable on demand	17	17

VANQUIS BANK LIMITED
(Company Number 2558509)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

13 Other liabilities

	<u>2009</u> £'000	<u>2008</u> £'000
Trade creditors	1,405	2,443
Other creditors	714	714
Corporation tax payable	4,211	1,511
Amounts due to parent undertaking	204,873	172,193
	<hr/> 211,203 <hr/>	<hr/> 176,861 <hr/>

The amounts due to the parent undertaking are unsecured, due after more than one year and bear interest at rates linked to LIBOR

14 Pension schemes

The company participates in a groupwide stakeholder pension scheme in addition to contributing to personal pension arrangements of certain employees. Under the stakeholder scheme, members typically contribute, by way of a salary sacrifice arrangement, between 3% and 8% of pensionable earnings and the company contributes between 5.1% and 10.6%. The assets of the schemes are held separately from those of the company in independently administered funds.

The pension costs charged in the profit and loss account comprises contributions payable by the company to these funds and amounted to £939,000 (2008: £564,000) for the year ended 31 December 2009.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

15 Derivatives and other financial instruments

Information about the company's use of financial instruments and management of the associated risks is given in the directors' report. The company held no derivatives as at 31 December 2009 (2008: none)

The table below summarises the re-pricing mismatches of the company's non-trading assets and liabilities as at 31 December 2009. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

Due to the short dated and variable rate nature of the assets, the book value is the directors' best estimate of the fair value.

As at 31 December 2009

	Not more than <u>three months</u> £'000	More than six months but not more than <u>one year</u> £'000	Non-interest <u>bearing</u> £'000	<u>Total</u> £'000
Assets				
Loans and advances to customers	255,343	-	-	255,343
Loans and advances to banks	-	-	174	174
Other assets	112	-	16,410	16,522
Total assets	255,455	-	16,584	272,039
Liabilities				
Customer deposits	-	-	17	17
Other liabilities	204,873	-	8,464	213,337
Shareholders' funds	-	-	58,685	58,685
Total liabilities and shareholders' funds	204,873	-	67,166	272,039
Off-balance sheet items	-	-	-	-
Interest rate sensitivity gap	50,582	-	(50,582)	-
Cumulative gap	50,582	50,582	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

15 Derivatives and other financial instruments (continued)

As at 31 December 2008

	Not more than three months £'000	More than six months but not more than one year £'000	Non-interest bearing £'000	Total £'000
Assets				
Loans and advances to customers	205,729	-	-	205,729
Loans and advances to banks	-	-	164	164
Other assets	6,151	-	14,504	20,655
Total assets	211,880	-	14,668	226,548
Liabilities				
Customer deposits	-	-	17	17
Other liabilities	172,193	-	7,607	179,800
Shareholders' funds	-	-	46,731	46,731
Total liabilities and shareholders' funds	172,193	-	54,355	226,548
Off-balance sheet items	-	-	-	-
Interest rate sensitivity gap	39,687	-	(39,687)	-
Cumulative gap	39,687	39,687	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

16 Share-based payments

The Provident Financial plc group operates four share schemes the Long-Term Incentive Scheme (LTIS), employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)), senior executive share option schemes (the ESOS/SESO) and the Performance Share Plan (PSP) During 2009, awards/options have been granted to company employees under the LTIS, SAYE and PSP schemes (2008 awards/options granted under the LTIS, SAYE and PSP schemes) The charge to the profit and loss account during the year was £1,349,000 (2008 £1,009,000) The fair value per option/award granted and the assumptions used in the calculation of the share-based payment charge are as follows

	2009			2008		
	LTIS	PSP	SAYE	LTIS	PSP	SAYE
Grant date	08-May-09	04-Mar-09	02-Sep-09	05-Mar-08	05-Mar-08	27-Aug-08
Share price at grant date (£)	8 92	8 03	8 83	8 04	8 04	8 94
Exercise price (£)	-	-	6 56	-	-	7 04
Shares under option (number)	196,167	60,050	24,182	231,189	49,590	21,703
Vesting period (years)	3	3	3,5 and 7	3	3	3,5 and 7
Expected volatility	37 90%	37 80%	31 80% to 37 30%	31 60%	31 60%	30 60% to 34 60%
Option life (years)	3	3	Up to 7	3	3	Up to 7
Expected life (years)	3	3	Up to 7 1 98% to	3	3	Up to 7 4 4% to
Risk free rate	2 08%	1 70%	3 10%	4 00%	4 00%	4 6%
Expected dividends expressed as a dividend yield	n/a	n/a	7 20%	n/a	n/a	7 60%
Fair value per option (£)	5 04	8 03	1 74 to 2 18	4 42	8 04	1 68 to 2 09

The expected volatility is based on historical volatility over the last three years The expected life is the average expected period to exercise The risk free rate of return is the yield on zero coupon UK government bonds

A reconciliation of share option movements during the year is show below

	LTIS		SESO		SAYE		PSP	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £
2009								
Outstanding at 1 January	400,738	-	252,420	5 77	78,456	6 37	51,745	-
Granted	196,167	-	-	-	24,182	6 56	60,050	-
Lapsed	(13,791)	-	(10,667)	5 47	(16,583)	4 74	(2,318)	-
Exercised	-	-	(219,353)	4 05	(8,886)	6 34	-	-
Outstanding at 31 December	583,114	-	22,400	5 77	77,169	6 71	109,477	-
Exercisable at 31 December	-	-	22,400	5 77	384	4 91	-	-

VANQUIS BANK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

16 Share-based payments (continued)

Share options outstanding under the LTIS scheme at 31 December 2009 had a range of exercise prices of £nil (2008 £nil) and a weighted average remaining contractual life of 1.4 years (2008 2.0 years). Share options outstanding under the ESOS/SESO schemes at 31 December 2009 had an exercise price of 577p (2008 577p) and a weighted average remaining contractual life of 0 years (2008 0.4 years). Share options outstanding under the SAYE schemes at 31 December 2009 had a range of exercise prices of 453p to 716p (2008 453p to 716p) and a weighted average remaining contractual life of 2.3 years (2008 4.2 years). Share options outstanding under the PSP scheme at 31 December 2009 had a range of exercise prices of £nil (2007 £nil) and a weighted average remaining contractual life of 1.7 years (2008 2.1 years).

	LTIS		SESO		SAYE		PSP	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
2008	Number	£	Number	£	Number	£	Number	£
Outstanding at 1 January	196,941	-	252,420	5.77	64,870	6.06	2,155	-
Granted	231,189	-	-	-	21,597	7.04	49,590	-
Lapsed	(27,392)	-	-	-	(5,581)	5.94	-	-
Exercised	-	-	-	-	(2,430)	5.07	-	-
Outstanding at 31 December	400,738	-	252,420	5.77	78,456	6.37	51,745	-
Exercisable at 31 December	-	-	-	-	3,738	6.37	-	-

17 Called-up share capital

	<u>2009</u>	<u>2008</u>
	£'000	£'000
Authorised		
80,000,000 (2008 80,000,000) ordinary shares of £1 each	80,000	80,000
	<hr/>	<hr/>
Issued, called-up and fully paid		
74,200,002 (2008 74,200,002) ordinary shares of £1 each	74,200	74,200
	<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

18. Profit and loss account reserve

	<u>2009</u> £'000	<u>2008</u> £'000
At 1 January	(27,469)	(35,689)
Profit for the year	10,605	7,211
Share-based payment charge (note 16)	1,349	1,009
	<hr/>	<hr/>
At 31 December	(15,515)	(27,469)
	<hr/>	<hr/>

19 Reconciliation of movement in equity shareholders' funds

	<u>2009</u> £'000	<u>2008</u> £'000
Profit for the year	10,605	7,211
Issue of ordinary shares	-	7,000
Share-based payment charge (note 16)	1,349	1,009
	<hr/>	<hr/>
Net addition to equity shareholders' funds	11,954	15,220
Equity shareholders' funds as at 1 January	46,731	31,511
	<hr/>	<hr/>
Equity shareholders' funds as at 31 December	58,685	46,731
	<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
(CONTINUED)

20. Related party transactions

As a wholly owned subsidiary undertaking, 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

21 Operating leases

As at 31 December 2009, the company had annual commitments under non-cancellable operating leases for assets as follows

Land and buildings	<u>2009</u>	<u>2008</u>
	£'000	£'000
Expiring within 1 year	287	-
Expiring within 2-5 years	230	1,012
Expiring after 5 years	2,261	2,192
	<hr/>	<hr/>
	2,778	3,204
	<hr/>	<hr/>

22 Commitments and contingencies

The company has entered into a number of contracts to support its credit card operations. These contracts, which exclude the operating leases quoted above, are for between one and five years in length and constitute a total minimum unconditional obligation as at 31 December 2009 of £9,856,000 (2008 £12,774,000)

In addition, credit card facilities totalling £88,664,000 (2008 £82,901,000) had been committed to customers, but were undrawn at the end of the year

23 Ultimate parent company and controlling party

The company's 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, Colonnade, Sunbridge Road, Bradford, BD1 2LQ