Full-year Financial Report
for the year ended 31 December 2019

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Notes
This report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The report should not be relied on by any other party or for any other purpose. The report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, like-for-like any such forward-looking information. Percentage change figures for all performance measures, other than profit before taxation and earnings per share, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate (CER) for 2019 in order to present the like-for-like performance variance.

International Personal Finance plc
Financial Report for the year ended 31 December 2019
This announcement contains inside information

*International Personal Finance plc specialises in providing unsecured consumer credit to 2.1 million customers across 11 markets. We operate the world's largest home credit business and a leading fintech business, IPF Digital***.**

Key highlights

- **Good Group financial performance**
  - Credit issued in-line with 2018
  - Good credit quality - impairment to revenue ratio of 27.4%
  - Group profit before tax of £114.0 million, an increase of £4.7 million

- **European home credit – very strong operational and financial performance**
  - Credit issued growth of 1% driven by strong operational execution
  - Excellent credit quality and collections - impairment to revenue ratio of 12.4%
  - Profit before tax increased to £115.1 million

- **Mexico home credit – challenging performance; recovery underway**
  - Prioritising credit quality over growth resulted in 12% contraction in credit issued
  - Operational actions implemented to improve credit quality:
    - Impairment to revenue ratio of 41.3%, stabilised in H2
    - Recently issued loans performing significantly better
  - Profit before tax reduced to £10.5 million

- **IPF Digital – successfully delivered maiden profit; significant medium-term growth opportunity**
  - Credit issued growth of 8%
  - Strong operational and financial performance delivered by established markets
  - New markets focused on delivering more consistent credit quality
  - Maiden profit before tax of £3.2 million

- **Strong funding position and strengthened balance sheet; dividend maintained**
  - Continued progress in extending term of debt facilities: £322 million matures after Eurobond Q2 2021
  - £182 million of headroom on debt facilities
  - Equity to receivables capital ratio of 44.8%

- **Significant contingent risk eliminated with successful settlement of Polish tax audit for period 2010 to 2017**

Group key statistics	2018	**2019**	YOY change at CER
Customers (000s)	2,301	**2,109**	(8%)
Credit issued (£m)	1,360.6	**1,353.0**	-
Revenue (£m)	866.4	**889.1**	3%
Impairment % revenue	26.2%	**27.4%**	(1.2ppt)
Cost-income ratio	44.9%	**43.5%**	1.4ppt
Statutory PBT (£m)	109.3	**114.0**	
Statutory EPS (pence)	33.8	**32.2**	
Full-year dividend per share (pence)	12.4	**12.4**	

Chief Executive Officer, Gerard Ryan, commented:
"We delivered a good financial performance in 2019 increasing profit before tax to £114.0 million, driven by strong operational execution in European home credit and our established digital businesses. We are also very pleased to report IPF Digital's maiden profit, demonstrating our ability to profitably serve customers with digital credit. Looking ahead, we are focused on improving performance in Mexico home credit and IPF Digital's new markets before accelerating growth in 2020. For the Group as a whole, we will continue to evolve the products and channels we offer to meet the requirements of our customers, enabling us to deliver enhanced shareholder value and contribute to the communities in which we operate."

Strategy update
We provide small-sum, unsecured personal loans to customers who are either underbanked or underserved by mainstream operators. Our strategy is to build a long-term sustainable future by providing consumers in our segment with a wider choice of channels, products and price points. Our European home credit businesses are the financial foundation of the Group and our strategy centres on providing a great customer experience and generating strong returns. We use these returns to invest in modernising the European home credit businesses, growing Mexico home credit and IPF Digital, and delivering returns to our shareholders. We continue to improve our service and effectiveness by investing in technology and our people in both the home credit and digital businesses.

Our European home credit business is making excellent progress in providing a more modern and affordable service to its customers and during the year we developed further functionality for our agent mobile technology, and launched a number of new products and channel offerings. We also increased the number of customers choosing to take our Provident-branded digital offering in Poland. The business delivered a very strong operational and financial performance in 2019, reporting like-for-like profit growth of £4.5 million. Credit quality is excellent and, as planned, we successfully slowed the rate of customer contraction year on year.

In Mexico, reflecting the challenging first-half performance, we strengthened our leadership team including the appointment of a new country manager and refined our strategy to improve performance, implementing a range of operational actions which prioritised credit quality over growth. There have been some encouraging signs in key performance indicators for the newer cohorts of loans issued and we will continue to focus on delivering consistency of execution that will act as a platform to improve portfolio quality before recommencing growth in 2020.

Our strategy to grow our IPF Digital offering reflects increasing demand from consumers who are looking for end-to-end digital services. Since the acquisition of our digital business, we have focused on building scale and increased customer numbers more than three-fold to 305,000. Importantly, the business delivered on its promise of a maiden profit before tax in 2019, clearly demonstrating our ability to build a fintech business that can serve customers profitably. Earlier in the year we began testing our innovative digital mobile wallet product in Finland. This is a virtual wallet on a mobile device which gives customers a transparent, easy and flexible way to pay for everyday purchases either on-line or in store. Using our test and learn approach, we expect to roll out our mobile wallet into more countries during 2020, enhancing the customer experience and driving growth.

Market overview
The market for consumer credit is growing steadily driven by increasing numbers of customers borrowing from and transacting with financial services providers online. Customer expectations have also risen in terms of their customer journey, demanding faster, more convenient and personalised offerings.

Macroeconomic conditions in all our European markets are expected to deliver positive GDP growth, low unemployment and moderately increasing inflation in 2020. While GDP growth in Mexico is estimated to have contracted during 2019, it is forecast to return to modest growth in 2020.

Increasing regulation in our sector has resulted in more stable levels of competition in Europe as some lenders have found it more difficult to operate in tougher regulatory environments. While market dynamics and customer preferences are changing, we continue to see home credit co-existing with digital credit offerings as the combination of the two can serve the vast majority of the customers in our segment. In particular, our home credit model with the involvement of an agent at the customer's home, allows us to gain a unique and in-depth understanding of a customer's financial circumstances and propensity to repay. As a result, we can lend with more confidence to creditworthy customers where a remote lending business cannot.

Group performance overview
We delivered a good financial performance in 2019 reporting a £4.7 million increase in profit before tax to £114.0 million. This reflects an increase in like-for-like profit before tax of £6.9 million, driven by a strong performance by European home credit and a maiden profit in IPF Digital, offset partially by lower profit in Mexico home credit. Weaker FX rates impacted the overall result by £2.2 million.

The table below details the performance of each of our business segments, highlighting the like-for-like improvement in profit before tax that has been delivered.

	2018 profit £m	Like-for-like profit movement £m	Stronger / weaker FX rates £m	**2019 profit £m**
European home credit	113.8	4.5	(3.2)	**115.1**
Mexico home credit	15.7	(6.2)	1.0	**10.5**
IPF Digital	(5.6)	8.8	-	**3.2**
Central costs	(14.6)	(0.2)	-	**(14.8)**
Profit before taxation	109.3	6.9	(2.2)	**114.0**

Customer numbers reduced year on year by 8% with the growth delivered by IPF Digital more than offset by reductions in European and Mexico home credit. Credit issued was in line with 2018 reflecting growth in IPF Digital and European home credit, offset by a contraction in Mexico home credit. Average net receivables increased by 8%, and revenue grew by the slower rate of 3%, driven by our focus on lower yielding, higher quality customers in European home credit. At Group level, credit quality remains good and annualised impairment as a percentage of revenue at 27.4% is in the middle of our target range of 25% to 30%. The cost-income ratio improved year on year by 1.4ppts to 43.5%, reflecting significantly improved operating leverage in IPF Digital and an improvement in Mexico home credit, partially offset by European home credit where the impact of lower revenue yields offset a reduction in the cost base.

Business Division Performance Review

European home credit

We continued to deliver well against our strategy of providing a great customer experience and generating strong returns to invest in building a more customer-focused business that offers products that are relevant and affordable. As part of this strategy, the business now has fewer customers than in the past, but our products are more competitive, our customer journey more user friendly and our business more technologically enabled and efficient.

Excellent operational execution by our European teams delivered a very strong financial performance in 2019 and resulted in a £1.3 million increase in profit before tax to £115.1 million. This reflects an improvement in like-for-like profit of £4.5 million driven by excellent collections, offset partially by a £3.2 million adverse effect from weaker FX rates.

	2018	**2019**	Change	Change	Change at CER
	£m	**£m**	£m	%	%
Customer numbers (000s)	1,092	**1,009**	(83)	(7.6)	
Credit issued	757.8	**751.3**	(6.5)	(0.9)	1.4
Average net receivables	558.9	**562.0**	3.1	0.6	2.7
Revenue	493.3	**452.2**	(41.1)	(8.3)	(6.3)
Impairment	(88.5)	**(56.0)**	32.5	36.7	35.0
Net revenue	404.8	**396.2**	(8.6)	(2.1)	(0.1)
Finance costs	(35.3)	**(37.1)**	(1.8)	(5.1)	(6.9)
Agents' commission	(53.7)	**(51.1)**	2.6	4.8	2.7
Other costs	(202.0)	**(192.9)**	9.1	4.5	2.9
Profit before taxation	113.8	**115.1**	1.3	1.1	

One of our key performance objectives for 2019 was to reduce the rate of customer contraction in our European home credit businesses, and it is pleasing to report that campaigns implemented to improve customer acquisition and retention were successful, with the rate of decline in customer numbers improving by 4 percentage points year on year to 8%. We also delivered 1% growth in credit issued reflecting our focus on extending loan values and term while managing credit quality, and this contributed to an increase in average net receivables of 3%. Revenue, however, reduced by 6% as a result of price promotions to support both customer acquisition and retention together with the impact of longer product terms with lower revenue yields. We believe this price-to-volume trade-off is sensible for our customers and our business.

Credit quality of the loan portfolio is excellent as a result of good agent collections alongside stable post-field collections, and year on year this delivered a 5.5ppt improvement in impairment as a percentage of revenue to 12.4%.

To further modernise the business model and improve the customer experience we enhanced our agent mobile technology with the completion of the roll out of a collections app to all agents in Europe. This is being followed by new sales functionality which will deliver further administrative efficiencies and cost savings. We also invested in new products and channel offerings to meet the changing demands of our customers, and our Provident-branded digital product in Poland continues to grow and we now serve 32,000 customers alongside our home credit offering. Costs continue to be very well controlled and we delivered a £5.7 million (at CER) reduction in costs during 2019. The cost-income ratio increased by 1.8ppts to 42.7% as a result of the lower revenue yields.

During 2020 we will be focused on significantly enhancing our customer journey. We will also enrich our agent mobile technology by completing the roll out of the new sales application during 2020 and plan to further grow the Provident-branded digital loan offering in Poland. We unified the leadership of our European home credit businesses in 2019 and this is already helping to improve collaboration, and drive efficiencies and the sharing of best practice.

Mexico home credit

We are seeing signs of recovery in our Mexico home credit business following, as previously reported, a challenging first half during which time a softer macroeconomic backdrop and deterioration in credit quality and collections adversely impacted performance. We took decisive action on the operational challenges we faced with the key focus being to prioritise credit quality over growth and create an operational environment that ensures we take full advantage of the significant, long-term potential of this market.

To accelerate the changes needed, we appointed a highly experienced country manager and operationally, we introduced significantly more cautious credit settings to improve the quality of the receivables portfolio and reduce impairment to a more acceptable level. We also implemented a series of actions to improve agent collections performance, including revised territory management, rebalanced incentivisation and tighter operational controls.

During the second half of the year, we continued to execute our operational improvement plans and further strengthened the Mexico management team with the appointment of a number of senior leaders. We have also developed a refined growth strategy that segments the business between units generating acceptable returns and those where we are continuing to invest or focus on a step change in operating performance. There is still more to do before we decide to rebuild growth momentum, but we have stabilised impairment as a percentage of revenue at 41.3%, which is broadly in line with the half year. There have been some encouraging signs in other key performance indicators with recently issued loans performing significantly better and improving collections performance. We also expect to see the result of our actions feeding through into improved levels of impairment during 2020.

These operational changes to improve quality and consistency of performance across the business impacted performance and we delivered profit before tax of £10.5 million which comprises a £6.2 million reduction in like-for-like profit and a £1.0 million benefit from FX movements.

	2018 £m	**2019** **£m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	917	**795**	(122)	(13.3)	
Credit issued	291.0	**268.2**	(22.8)	(7.8)	(11.7)
Average net receivables	154.9	**164.4**	9.5	6.1	1.6
Revenue	226.1	**247.6**	21.5	9.5	4.9
Impairment	(82.9)	**(102.3)**	(19.4)	(23.4)	(18.4)
Net revenue	143.2	**145.3**	2.1	1.5	(2.9)
Finance costs	(11.3)	**(11.8)**	(0.5)	(4.4)	-
Agents' commission	(28.8)	**(29.9)**	(1.1)	(3.8)	0.7
Other costs	(87.4)	**(93.1)**	(5.7)	(6.5)	(2.2)
Profit before taxation	**15.7**	**10.5**	**(5.2)**	**(33.1)**	

The focus on quality across the business resulted in a 13% reduction in customer numbers year on year to 795,000 and credit issued contracted by 12%. Notwithstanding this, average net receivables increased slightly due to credit issued growth in 2018 and this drove 5% growth in revenue year on year.

We managed costs tightly in 2019 in response to the challenging collections performance and restricted the increase in the overall market cost base to 2.2%, despite incremental investment in geographic expansion and other business development activities. The cost-income ratio improved by 1.1ppt to 37.6% due to the benefit of operational leverage.

Looking ahead, our priority is to deliver a more consistent performance and embed operational rigour and collections strategies to improve credit quality. We expect to see a continuation of positive early credit quality indicator trends and to deliver sufficient improvement in portfolio quality in the first half of 2020 that will give us confidence to rebalance our focus onto growth.

IPF Digital

We are very pleased to report that IPF Digital delivered its maiden profit of £3.2 million in 2019, which represents a year-on-year increase in profit of £8.8 million.

	2018	**2019**	Change	Change	Change at CER
	£m	**£m**	£m	%	%
Customer numbers (000s)	292	**305**	13	4.5	
Credit issued	311.8	**333.5**	21.7	7.0	8.1
Average net receivables	209.6	**260.2**	50.6	24.1	25.6
Revenue	147.0	**189.3**	42.3	28.8	30.2
Impairment	(55.6)	**(85.2)**	(29.6)	(53.2)	(54.9)
Net revenue	91.4	**104.1**	12.7	13.9	15.2
Finance costs	(11.9)	**(14.4)**	(2.5)	(21.0)	(22.0)
Other costs	(85.1)	**(86.5)**	(1.4)	(1.6)	(2.7)
(Loss)/profit before taxation	(5.6)	**3.2**	8.8	157.1	

Against strong year-on-year comparators, our digital offering and targeted marketing delivered an 8% increase in credit issued driven primarily by our new markets. We also grew customer numbers by 4% to 305,000, with more than half of these now being served in our new markets. This top-line growth resulted in a 26% increase in average net receivables and growth in revenue of 30%.

Annualised impairment as a percentage of revenue increased by 7.2ppts year on year to 45.0%. This was driven by a shift in the mix of the portfolio away from the established markets, which operate with lower and more stable loss rates, together with higher than planned impairment in the new markets. Our strategy to increase scale and invest in technology alongside robust cost control enabled us to better leverage our infrastructure and improve our cost efficiency, delivering a very strong 12.2ppt year-on-year reduction in the cost-income ratio to 45.7%.

The profitability of IPF Digital is segmented as follows:

	2018	**2019**	Change	Change
	£m	**£m**	£m	%
Established markets	25.5	**32.7**	7.2	28.2
New markets	(17.8)	**(15.5)**	2.3	12.9
Head office costs	(13.3)	**(14.0)**	(0.7)	(5.3)
IPF Digital	(5.6)	**3.2**	8.8	157.1

Established markets

	2018	**2019**	Change	Change	Change at CER
	£m	**£m**	£m	%	%
Customer numbers (000s)	157	**150**	(7)	(4.5)	
Credit issued	161.3	**165.5**	4.2	2.6	3.4
Average net receivables	130.9	**137.7**	6.8	5.2	6.2
Revenue	79.5	**83.1**	3.6	4.5	5.5
Impairment	(16.5)	**(16.4)**	0.1	0.6	1.2
Net revenue	63.0	**66.7**	3.7	5.9	7.2
Finance costs	(7.2)	**(7.2)**	-	-	-
Other costs	(30.3)	**(26.8)**	3.5	11.6	10.7
Profit before taxation	25.5	**32.7**	7.2	28.2	

Our established markets delivered a strong operational performance in 2019 and increased profit before tax by £7.2 million to £32.7 million driven by the benefits of increased scale, very good credit quality and improving cost efficiency. This was ahead of our original expectations.

As expected, credit issued growth moderated to 3% in these more mature markets, where volumes were adversely impacted by regulatory changes in Finland in the second half of the year. Average net receivables increased by 6% which, in turn, drove a similar increase in revenue.

Credit quality in the established markets continues to be very good. Impairment as a percentage of revenue improved by 1.1ppts year on year to 19.7% reflecting the strength of our credit strategies and scorecards in these well-regulated markets. Strong cost management and the benefits of increasing scale and efficiency delivered a 5.8ppt improvement in the cost-income ratio to 32.3%.

During the year, revised regulations were introduced in Finland and Latvia and we adapted our product offering to comply with the new pricing and debt-to-income requirements. Whilst the new rate cap in Latvia is set at a similar level to Estonia and Lithuania where we generate good returns, the new cap in Finland is very low for the risk profile of our lending. We are executing a plan to respond to this challenge and will continue to monitor the development of the business model in Finland and the returns that it generates and apply discipline to the capital that we deploy to it. As previously reported, we expect that the contribution of our established markets to divisional profitability will reduce in 2020.

New markets

	2018	**2019**	Change	Change	Change at CER
	£m	**£m**	£m	%	%
Customer numbers (000s)	135	**155**	20	14.8	
Credit issued	150.5	**168.0**	17.5	11.6	13.2
Average net receivables	78.7	**122.5**	43.8	55.7	58.3
Revenue	67.5	**106.2**	38.7	57.3	59.5
Impairment	(39.1)	**(68.8)**	(29.7)	(76.0)	(79.2)
Net revenue	28.4	**37.4**	9.0	31.7	32.6
Finance costs	(4.7)	**(7.2)**	(2.5)	(53.2)	(56.5)
Other costs	(41.5)	**(45.7)**	(4.2)	(10.1)	(11.2)
Loss before taxation	(17.8)	**(15.5)**	2.3	12.9	

Start-up losses in the new markets reduced by £2.3 million to £15.5 million, driven by portfolio and revenue growth and improved cost leverage, partially offset by an increase in impairment.

As reported with our half-year results, impairment as a percentage of revenue was higher than planned specifically as a result of higher-than-expected credit losses in Poland and Spain. In response, we focused our efforts on improving credit quality in these markets by tightening our lending policies. This resulted in a 13% increase in credit issued year on year although credit issued contracted in the second half against strong comparators. Average net receivables increased by 58% which delivered a similar rate of growth in revenue. We now serve 155,000 customers in our new markets, a 15% increase year on year.

Impairment as a percentage of revenue was 64.8% at the year end, which represents a 6.9ppt increase year on year. We expect the impact of tighter credit settings will drive an improvement in impairment during 2020 after which we will progressively ease credit settings in order to take further advantage of the significant digital growth opportunities our new markets present.

The economies of rapidly increasing scale in the new markets resulted in a significant 18.5ppt improvement in the cost-income ratio to 43.0% year on year and we expect this trend to continue as the businesses grow.

IPF Digital represents a significant long-term growth opportunity for the Group and reaching profitability demonstrates our ability to build a successful digital lending business in the fintech sector. Our short-term focus will be on improving the credit performance in our new markets before accelerating growth and managing the impact of the new legislation in Finland and Latvia. We expect profit growth in 2020 to be relatively modest with a lower contribution from the established markets and an improved result in the new markets. Providing a great customer experience through innovative products, including our mobile wallet offering, will ensure that we can build on the very solid foundations of this exciting business.

Regulatory update

In December 2016 the Polish Ministry of Justice published a draft bill which, amongst other things, proposed a significant reduction in the cap on non-interest costs chargeable in consumer lending. The proposals were revised by the Ministry in early 2019, subsequently adopted as Government proposals in mid-2019, and then further revised by the Government. Having failed to proceed through the legislative process prior to Polish general election in November 2019, the proposals are no longer on the current legislative agenda. The reintroduction of the proposals onto the legislative agenda, in the most recent or a further revised form, is a possibility and we continue to monitor the situation closely.

UOKiK, the Polish competition and consumer protection authority, is conducting a comprehensive review of rebating practices by banks and other consumer credit providers on early loan settlement, including those of the Group's Polish businesses. In light of this and a recent European Court of Justice declaratory judgment on the matter, we expect new market standard rebating practices to evolve in Poland. When we have clarity on the new emerging standards, our Polish businesses will conform their rebating practices accordingly. There is a wide range of possible outcomes from this review. Our current expectation is that the annual financial impact is likely to be in the range of £5 million to £15 million and we are working on a number of mitigating strategies.

In Romania legislation that was enacted in 2019 applying a price cap on the cost of consumer lending was successfully challenged by political opponents of the Government as being unconstitutional, with the result that the new cap did not take effect. Revised proposals have been tabled in the Romanian Parliament, which include a cap on the total amount payable, being twice the amount borrowed for loans below 3,000 EUR, while defining an APR cap of 15% plus base rate for the rest of consumer credit. This proposal is going through Parliamentary discussions and may progress to enactment in 2020 or later. The vast majority of the Group's Romanian business's current portfolio would be subject to the 100% total cost of credit limit and not the 15% APR cap, if enacted in the proposed form.

Taxation

The taxation charge on profit for 2019 has been based on an effective tax rate of 37%. The taxation charge for the year on statutory pre-tax profit was £42.2 million (2018: £33.9 million). The change in effective tax rate was impacted primarily by new tax legislation in Poland which came into force on 1 January 2019 and resulted in certain cross-border transactions entered into by our Polish subsidiary becoming economically inefficient. We expect the effective tax rate to be around 40% in 2020.

As announced on 24 October 2019, the Polish tax audits of 2010 – 2012 were closed and adjustments to the remaining years up to and including 2017 were agreed with the Polish tax authority. This resulted in an overall payment of £3.8 million for 2010 to 2017. The years 2008 and 2009 remain open. Following expert advice regarding the strength of the case both from a procedural and substantive position, we withdrew our application for mutual agreement procedure between the Polish and UK tax authorities in December 2019 and the cases are expected to be heard in the Polish courts in the first half of 2020. Further details on this matter are set out in note 20.

As previously reported, in late 2017 the European Commission (EC) opened a State Aid investigation into the Group Financing Exemption contained in the UK controlled foreign company rules, which were introduced in 2013. In April 2019 the EC announced its finding that the Group Financing Exemption is partially incompatible with EU State Aid rules. In common with other UK-based international companies whose intra-group finance arrangements are in line with current controlled foreign company rules, the Group is affected by this decision. The total tax benefit obtained by the Group in all years as a result of the structure affected by the decision is estimated at up to £13.9 million. The amount repayable by the Group under the decision however is expected to be lower than this as the final decision only found the UK tax regime to be partially incompatible. HMRC has begun a process of gathering information from taxpayers, including IPF, in order to quantify the amount of alleged State Aid received. The UK government has announced that it has filed an annulment application before the General Court of the EU. In common with a number of other affected taxpayers, IPF has also filed its own annulment application. Nevertheless, the amount of finally agreed State Aid will need to be paid by the Group to HMRC in accordance with the State Aid rules pending the hearing of the applications. Based on legal advice received by management regarding the strength of the technical position set out in the annulment applications, it is expected to be more likely than not that any payment that the Group makes to HMRC as a result of the State Aid decision will ultimately be repaid. HMRC has stated that it does not consider that the timing and form of the UK's exit from the EU will have any practical impact on this matter.

Funding and balance sheet

We further strengthened our funding position by adding and refinancing £106 million of debt funding in 2019.

In June, we refinanced a significant proportion of the £101.5 million retail-eligible bond maturing 2020, with £57.4 million of the existing bonds being exchanged, and £20.7 million of new bonds issued for cash, to create a new £78.1 million 7.75% bond maturing 2023. The remaining £44.1 million bonds not exchanged will stay in place until May 2020. In addition, we added £28 million of new bank funding in 2019.

At December 2019 we had total debt facilities of £862 million (£542 million bonds and £320 million bank facilities) and borrowings of £679 million, with headroom on undrawn facilities of £182 million. We continued to extend debt facilities during 2019, and now have £322 million of facilities extending beyond the Eurobond maturity in 2021. In the final quarter of 2019, we repaid £14 million of bonds that matured, and bought back £5 million of 2021 Eurobonds at an average price of 97.3. We have two bonds totalling £84 million maturing in May/June 2020, and our £344 million Eurobond matures in April 2021. The settlement of the Polish tax dispute removes a significant liquidity risk for IPF and this, combined with the high level of headroom on undrawn debt facilities, will allow more flexibility in the refinancing of the Eurobond, which we aim to complete by the end of 2020.

Our credit rating improved in April 2019 following the affirmation of a BB rating by Fitch and the revision of the outlook from negative to stable, together with a new rating from Moody’s of Ba3 stable outlook.

Our balance sheet remains robust, with an equity to receivables capital ratio at December 2019 of 44.8% compared with our target level of 40%.

Dividend
Subject to shareholder approval, a final dividend of 7.8 pence per share will be payable, which will bring the full-year dividend to 12.4 pence per share (2018: 12.4 pence per share). The final dividend will be paid on 11 May 2020 to shareholders on the register at the close of business on 14 April 2020. The shares will be marked ex-dividend on 9 April 2020.

Board changes
Dan O'Connor has informed the Board that he intends to retire as Chairman of the Company at the close of our Annual General Meeting on 30 April 2020. We are pleased to announce that Stuart Sinclair has been appointed to the Board with effect from 16 March 2020 and that, subject to Stuart's election as a director at the AGM, he will succeed Dan as Chairman.

Stuart is an experienced non-executive director, committee chair and senior independent director who brings a background in consumer financial services with RBS, GE Capital and Provident Financial. He currently sits on the boards of Lloyds Banking Group, where he chairs the Remuneration Committee, and, as Senior Independent Director, of QBE Europe, the European subsidiary of the major Australian insurance group. Stuart was also a Council member of The Royal Institute for International Affairs for six years.

Commenting, Dan O'Connor said: "Having reflected on the success of the Group in 2019 in overcoming the significant tax challenge we faced in Poland, I believe that this is an ideal time to hand over the leadership of a board that has an excellent mix of established and new talent. Stuart brings a wealth of experience in financial services and is ideally qualified to lead the company through the next stage of its development."

We are also pleased to announce the appointment of Richard Holmes to the Board as an independent non-executive director, also with effect from 16 March 2020. Richard is a qualified accountant and former senior executive with over 40 years of broad international financial services experience, including 20 years as CEO and board member in private banking, wholesale banking, capital markets, trading, operations, strategy and finance. In his final executive role, he was CEO, Europe for Standard Chartered Bank plc. Having retired from executive roles in October 2016 he currently sits on the board of Ulster Bank where he is a member of the audit, risk and sustainability committees. Richard will join our Board's Audit and Risk Committee.

Chief Executive Officer Gerard Ryan said: "I am delighted to welcome both Stuart and Richard as non-executive directors. Their skills, talent and wealth of experience will be a great addition to our Board. I should also like to thank Dan for his invaluable contribution to IPF as Chairman and for the support he has given me."

Outlook
We are confident that our strategy will continue to support growth across the Group by successfully addressing the demands of our core stakeholders: meeting our customers' needs, creating value for our shareholders and contributing to the communities in which we operate. Our passion to serve our customers with products that meet their needs and provide a positive customer experience will deliver further sustainable growth and attractive future returns.

We will continue to invest in modernising our European home credit businesses, enhancing our offering to attract and retain customers and improving efficiency. In Mexico home credit we are focused on driving greater execution consistency and improving operational performance before recommencing growth and delivering progressive improvements in profit in 2020. In IPF Digital we will continue our journey of building a profitable fintech business by focusing on continued portfolio growth balanced with improved credit quality, while creating innovative products and services to deliver an enhanced customer experience and so support our growth plans.

Alternative Performance Measures
This full-year Financial Report provides alternative performance measures (APMs) which are not defined or specified under the requirements of International Financial Reporting Standards. We believe these APMs provide stakeholders with important additional information on our business. To support this we have included an accounting policy note on APMs in the notes to this Financial Report, a glossary indicating the APMs that we use, an explanation of how they are calculated and why we use them, and a reconciliation of the APMs we use to a statutory measure, where relevant.

International Personal Finance plc

Consolidated income statement for the year ended 31 December

	Notes	**2019 £m**	2018 £m
Revenue	4	**889.1**	866.4
Impairment	4	**(243.5)**	(227.0)
Revenue less impairment		**645.6**	639.4
Finance costs		**(63.5)**	(58.5)
Other operating costs		**(137.3)**	(140.8)
Administrative expenses		**(330.8)**	(330.8)
Total costs		**(531.6)**	(530.1)
Profit before taxation	4	**114.0**	109.3
Tax income/(expense) – UK		**2.2**	(0.8)
– Overseas		**(44.4)**	(33.1)
Tax expense	5	**(42.2)**	(33.9)
Profit after taxation attributable to owners of the Company		**71.8**	75.4

Earnings per share

	Notes	**2019 pence**	2018 pence
Basic	6	**32.2**	33.8
Diluted	6	**30.3**	32.2

The notes to the financial information are an integral part of this consolidated financial information.

Consolidated statement of comprehensive income for the year ended 31 December

	2019 **£m**	2018 £m
Profit after taxation attributable to owners of the Company	**71.8**	75.4
Other comprehensive (expense)/income		
Items that may subsequently be reclassified to income statement:		
Exchange losses on foreign currency translations	**(42.2)**	(8.7)
Net fair value gains – cash flow hedges	**0.6**	0.3
Tax (charge)/credit on items that may be reclassified	**(0.1)**	0.3
Items that will not subsequently be reclassified to income statement:		
Actuarial (losses)/gains on retirement benefit obligation	**(1.7)**	1.1
Tax credit/(charge) on items that will not be reclassified	**0.2**	(0.2)
Other comprehensive expense net of taxation	**(43.2)**	(7.2)
Total comprehensive income for the year attributable to owners of the Company	**28.6**	68.2

The notes to the financial information are an integral part of this consolidated financial information.

Balance sheet as at 31 December

	Notes	**2019** **£m**	2018 £m
Assets			
Non-current assets			
Goodwill	8	**23.1**	24.5
Intangible assets	9	**43.2**	38.0
Property, plant and equipment	10	**20.0**	19.9
Right-of-use assets	22	**18.8**	-
Amounts receivable from customers	13	**245.3**	228.6
Deferred tax assets	11	**151.7**	138.5
Non-current tax asset	12	**34.2**	36.1
Retirement benefit asset	16	**3.4**	4.1
		539.7	489.7
Current assets			
Amounts receivable from customers	13	**728.3**	764.2
Derivative financial instruments	15	**0.3**	1.6
Cash and cash equivalents		**37.4**	46.6
Other receivables		**16.9**	18.9
Current tax assets		**0.1**	1.5
		783.0	832.8
Total assets		**1,322.7**	1,322.5
Liabilities			
Current liabilities			
Borrowings	14	**(112.7)**	(28.8)
Derivative financial instruments	15	**(16.2)**	(7.3)
Trade and other payables		**(123.9)**	(147.7)
Lease Liabilities	22	**(8.7)**	-
Current tax liabilities		**(30.3)**	(25.8)
		(291.8)	(209.6)
Non-current liabilities			
Deferred tax liabilities	11	**(20.0)**	(10.4)
Lease Liabilities	22	**(10.8)**	-
Borrowings	14	**(563.7)**	(669.5)
		(594.5)	(679.9)
Total liabilities		**(886.3)**	(889.5)
Net assets		**436.4**	433.0
Equity attributable to owners of the Company			
Called-up share capital		**23.4**	23.4
Other reserve		**(22.5)**	(22.5)
Foreign exchange reserve		**9.1**	51.3
Hedging reserve		**(0.1)**	(0.6)
Own shares		**(46.1)**	(45.1)
Capital redemption reserve		**2.3**	2.3
Retained earnings		**470.3**	424.2
Total equity		**436.4**	433.0

The notes to the financial information are an integral part of this consolidated financial information.

Statement of changes in equity

	Called-up share capital £m	Other reserve £m	Other reserves* £m	Retained earnings £m	Total equity £m
At 1 January 2018 as originally presented	23.4	(22.5)	13.5	482.5	496.9
Change in accounting policy	-	-	-	(107.4)	(107.4)
Restated at 1 January 2018	23.4	(22.5)	13.5	375.1	389.5
Comprehensive income:					
Profit after taxation for the year	-	-	-	75.4	75.4
Other comprehensive (expense)/income:					
Exchange losses on foreign currency translation	-	-	(8.7)	-	(8.7)
Net fair value gains – cash flow hedges	-	-	0.3	-	0.3
Actuarial gains on retirement benefit obligation	-	-	-	1.1	1.1
Tax credit/(charge) on other comprehensive income	-	-	0.3	(0.2)	0.1
Total other comprehensive (expense)/income	-	-	(8.1)	0.9	(7.2)
Total comprehensive (expense)/income for the year	-	-	(8.1)	76.3	68.2
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	3.0	3.0
Shares granted from treasury and employee trust	-	-	2.5	(2.5)	-
Dividends paid to Company shareholders	-	-	-	(27.7)	(27.7)
At 31 December 2018	23.4	(22.5)	7.9	424.2	433.0
At 1 January 2019	**23.4**	**(22.5)**	**7.9**	**424.2**	**433.0**
Comprehensive income:					
Profit after taxation for the year	**-**	**-**	-	**71.8**	**71.8**
Other comprehensive (expense)/income:					
Exchange losses on foreign currency translation	**-**	**-**	**(42.2)**	**-**	**(42.2)**
Net fair value gains – cash flow hedges	**-**	**-**	**0.6**	-	**0.6**
Actuarial losses on retirement benefit obligation	**-**	**-**	**-**	**(1.7)**	**(1.7)**
Tax (charge)/credit on other comprehensive income	**-**	**-**	**(0.1)**	**0.2**	**0.1**
Total other comprehensive expense	**-**	**-**	**(41.7)**	**(1.5)**	**(43.2)**
Total comprehensive (expense)/income for the year	**-**	**-**	**(41.7)**	**70.3**	**28.6**
Transactions with owners:					
Share-based payment adjustment to reserves	**-**	**-**	**-**	**4.6**	**4.6**
Shares acquired by employee trust	**-**	**-**	**(2.1)**	**-**	**(2.1)**
Shares granted from treasury and employee trust	**-**	**-**	**1.1**	**(1.1)**	**-**
Dividends paid to Company shareholders	**-**	**-**	-	**(27.7)**	**(27.7)**
At 31 December 2019	**23.4**	**(22.5)**	**(34.8)**	**470.3**	**436.4**

* Includes foreign exchange reserve, hedging reserve, capital redemption reserve and amounts paid to acquire shares held in treasury and by employee trust.

Cash flow statement for the year ended 31 December

	2019 £m	2018 £m
Cash flows from operating activities		
Cash generated from operating activities	**169.2**	141.6
Finance costs paid	**(64.0)**	(59.6)
Income tax paid	**(41.0)**	(21.8)
Net cash generated from operating activities	**64.2**	60.2
Cash flows from investing activities		
Purchases of intangible assets	**(21.2)**	(19.3)
Purchases of property, plant and equipment	**(10.2)**	(6.7)
Proceeds from sale of property, plant and equipment	**0.2**	0.3
Net cash used in investing activities	**(31.2)**	(25.7)
Net cash generated from operating and investing activities	**33.0**	34.5
Cash flows from financing activities		
Proceeds from borrowings	**119.9**	101.9
Repayment of borrowings	**(120.3)**	(89.7)
Principal elements of lease payments	**(9.9)**	-
Shares acquired by employee trust	**(2.1)**	-
Dividends paid to Company shareholders	**(27.7)**	(27.7)
Net cash used in financing activities	**(40.1)**	(15.5)
Net (decrease)/increase in cash and cash equivalents	**(7.1)**	19.0
Cash and cash equivalents at beginning of year	**46.6**	27.4
Exchange (losses)/gains on cash and cash equivalents	**(2.1)**	0.2
Cash and cash equivalents at end of year	**37.4**	46.6

Notes to the financial information for the year ended 31 December 2019

1. Basis of preparation

The financial information, which comprises the consolidated income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and related notes, is derived from the full Group Financial Statements for the year ended 31 December 2019, which have been prepared in accordance with European Union endorsed International Financial Reporting Standards ('IFRSs') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. It does not constitute full Financial Statements within the meaning of section 434 of the Companies Act 2006. This financial information has been agreed with the auditor for release.

Statutory Financial Statements for the year ended 31 December 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's annual general meeting. The auditor has reported on those Financial Statements: its reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly they continue to adopt the going concern basis in preparing this financial information (see note 21 for further details).

The accounting policies used in completing this financial information have been consistently applied in all periods shown. These accounting policies are detailed in the Group's Financial Statements for the year ended 31 December 2019 which can be found on the Group's website (www.ipfin.co.uk).

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2019 but do not have any material impact on the Group:

- Amendments to IAS 19 Employee Benefits – 'Plan amendment, curtailment or settlement';
- IFRS 10 and IAS 28 (amendments) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'.

The following standards, interpretations and amendments to existing standards are not yet effective and have not been early adopted by the Group:

- IFRS 17 'Insurance Contracts';
- Amendments to IFRS 3 'Definition of a Business';
- Amendments to IAS 1 and IAS 8 'Definition of Material';
- Amendments to IAS 39 'Pre-replacement issues in the context of the IBOR reform'; and
- Conceptual framework 'Amendments to References to the Conceptual Framework in IFRS Standards'.

Notes to the financial information for the year ended 31 December 2019 (continued)

IFRS 16 Leases

The amendments relating to the IFRS 16 'Leases' standard are mandatory for the first time for the financial year beginning 1 January 2019. Please see note 22 for further information.

Alternative Performance Measures

In reporting financial information, the Group presents alternative performance measures, 'APMs' which are not defined or specified under the requirements of IFRS.

The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. The APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets.

Each of the APMs, used by the Group are set out on pages 45 to 50 including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant.

The Group reports percentage change figures for all performance measures, other than profit or loss before taxation and earnings per share, after restating prior year figures at a constant exchange rate. The constant exchange rate, which is an APM, retranslates the previous year measures at the average actual periodic exchange rates used in the current financial year. These measures are presented as a means of eliminating the effects of exchange rate fluctuations on the year-on-year reported results.

The Group makes certain adjustments to the statutory measures in order to derive APMs where relevant. The Group's policy is to exclude items that are considered to be significant in both nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group.

Notes to the financial information for the year ended 31 December 2019 (continued)

2. Principal risks and uncertainties

In accordance with the Companies Act 2006, a description of the principal risks and uncertainties (and the mitigating factors in place in respect of these) is included below. Effective management of risks, uncertainties and opportunities is critical to our business in order to deliver long-term shareholder value and protect our people, assets and reputation. In 2019, we continued to face a challenging external environment, particularly from changing regulation and competition. Internally, our operational governance framework and risk management processes are continually reviewed to ensure that where areas of improvement are identified, a plan of action is put in place and can become a key focus for the Board. The effectiveness of operating these processes is monitored by the Audit and Risk Committee on behalf of the Board.

As at the year end, the Board considered that there are 17 principal risks which require ongoing focus (noted with asterisks in the table below).

The risks facing the business by risk category are:

Risk Category	Definition	Risks	Description
MARKET CONDITIONS	The risk that we cannot identify, respond to, comply with or take advantage of external market conditions.	**Regulatory** • Legal and regulatory compliance * • Legal and regulatory challenges and issues* • Future legal and regulatory development* • Data protection and privacy*	• Compliance with existing consumer credit laws and regulations • Challenges to interpretation or application of existing laws and regulations • Anticipating and responding to changes to laws and regulations • Compliance with existing data protection and privacy regulations
		Competition and product proposition • Competition* • Product proposition*	• Responding to changes in market conditions • Meeting customer requirements
		Funding, market and counterparty • Funding, market and counterparty*	• Funding availability to meet business needs • Market volatility impacting performance and asset values • Loss of banking partner
		World economic environment* **Taxation***	• Adapting to economic conditions • Changes to, or interpretation of, tax legislation
STAKEHOLDER	The risk that key stakeholders take a negative view of the business as a direct result of our actions or our inability to effectively manage their perception of the Group.	• Reputation* • Customer service	• Reputational damage • Maintaining customer service standards
OPERATIONAL	The risk of unacceptable losses as a result of inadequacies or failures in our core internal processes, systems or people behaviours.	• Credit* • Safety* • People* • Business continuity* and information security* • Financial and performance reporting • Technology* • Fraud	• Customers fail to repay • Harm to our agents/employees • Lack of people capability • Recoverability and security of systems and processes • Failure of financial reporting systems and processes • Maintenance of effective technology • Theft or fraud loss
BUSINESS DEVELOPMENT	The risk that our earnings are impacted adversely by a sub-optimal business strategy or the sub-optimal implementation of that strategy, due to internal or external factors.	• Change management* • Brand	• Delivery of strategic initiatives • Strength of our customer brands

*Risks currently considered by the Board as the principal risks facing the Group.

Notes to the financial information for the year ended 31 December 2019 (continued)

2. Principal risks and uncertainties (continued)

Key:	Risk Environment Improving ↑	Risk Environment Stable ↔	Risk Environment Worsening ↓

Risk	Relevance to Strategy	Mitigation	Commentary
1. Regulatory We suffer losses or fail to optimise profitable growth due to a failure to operate in compliance with, or effectively anticipate changes in, all applicable laws and regulations (including data protection and privacy laws), or due to a regulator interpreting these in a different way. **Objective** We aim to ensure that effective arrangements are in place to enable us to comply with legal and regulatory obligations and take assessed and fully informed commercial risks.	**Impact** Changes in regulation, differences in interpretation or clarification of regulation, or changes in the enforcement of laws by regulators, courts or other bodies can lead to challenge of our products and/or practices. We monitor legal and regulatory developments to ensure we maintain compliance, remain competitive and provide value for our customers. **Likelihood** The likelihood of legal and regulatory change and the impact of challenge vary by market. In 2019, APR caps were tightened in Finland and Latvia and a new APR cap in Romania was deemed unconstitutional. We expect pricing regulations to be implemented at some point in the future in those markets where there are no price caps currently.	We have highly skilled and experienced legal and public affairs teams at Group level and in each of our markets. Expert third-party advisors are used where necessary. We engage with regulators, legislators, politicians and other stakeholders. Participation of relevant sector associations contributes to our monitoring, as well as influencing capabilities. Co-ordinated legal and public affairs teams, at a Group level and in each market, monitor political, legislative and regulatory developments. Our compliance programme focuses on key consumer legislation including in relation to data privacy. Oversight of regulatory risks by the legal leadership team. Regular reporting to the Audit and Risk Committee on key regulatory and compliance risks.	↔ **Lead responsibility: Chief Executive Officer** In Europe we have seen increased regulatory focus on consumer protection legislation. Existing proposals to significantly tighten the existing rate cap in Poland are no longer on the current legislative agenda, though a further proposal is possible and we continue to monitor the situation closely. A review of market standard rebating practices is underway in Poland. Revised APR caps in Finland and Latvia were enacted in 2019 and a new APR cap in Romania was deemed unconstitutional. Revised proposals are currently tabled in the Romanian Parliament. We further enhanced our regulatory management framework, including contingency plans to address any future regulations.
2. Competition and product proposition We suffer losses or fail to optimise profitable growth through not responding to the competitive environment or failing to ensure our proposition meets customer needs. **Objective** We aim to ensure we understand competitive threats and deliver customer-focused products to drive profitable growth.	**Impact** In an environment where customer choice is growing, ensuring our product meets customers' needs is critical to delivering profitable growth. **Likelihood** Competition varies by market. However, although Europe is a highly competitive region, increased regulation has resulted in a more stable landscape.	Regular monitoring of competitors and their offerings, advertising and share of voice in our markets. Action plans on competition threats. Regular surveys of customer views on our product offerings. Product development committees established across the Group to review the product development roadmap, manage product and introduce new products. Competition and products are high on the agenda of the senior management group.	↔ **Lead responsibility: Chief Executive Officer** In Europe, the impact of regulation has stabilised competition. In European home credit, campaigns to improve customer acquisition and retention reduced the rate of decline in customer numbers. We have extended our product offering by serving larger, longer-term loans, Provident-branded digital loans and value-added services including insurance. We are also testing a mobile wallet in Finland and expect to roll out the offering into more countries during 2020. In Mexico, competition is stable and digital lending remains small scale.

Notes to the financial information for the year ended 31 December 2019 (continued)

2. Principal risks and uncertainties (continued)

Key:	Risk Environment Improving ↑	Risk Environment Stable ↔	Risk Environment Worsening ↓
Risk	**Relevance to Strategy**	**Mitigation**	**Commentary**
3. Taxation We suffer additional taxation or financial penalties associated with failure to comply with tax legislation or adopting an interpretation of the law that cannot be sustained. **Objective** We aim to generate shareholder value through effective management of tax while acting as a good corporate citizen. We are committed to ensuring compliance with tax law and practice in all of the territories in which we operate.	**Impact** Against a backdrop of increasing fiscal challenges for most economies, many authorities are turning to corporate taxpayers to increase revenues, either via taxation reforms or through changes to interpretations of existing legislation. **Likelihood** The likelihood of changes or challenges arising from tax legislation varies by market. Globally, OECD and EU-led developments may lead to an increase in audits and enquiries into cross-border arrangements. Our Brexit contingency planning includes taxation of transactions.	Binding rulings or clearances obtained from authorities where appropriate. External advisors used for all material tax transactions. Qualified and experienced tax teams at Group level and in market. Appropriate oversight at executive level over taxation matters.	↔ **Lead responsibility: Chief Financial Officer** We have ongoing tax audits in Poland, Hungary, Mexico, Spain and Finland. During 2019 audits were closed in Slovakia and Poland. In October 2019 the Polish tax audits of 2010 to 2012 were closed and adjustments for years 2013 to 2017 were agreed. The years 2008 and 2009 remain open and we expect these cases to be heard in court in the first half of 2020. We filed an annulment application with respect to the European Commission's Decision on State Aid announced in April 2019. Further detail on tax matters is included on page 12.
4. Technology and change management We suffer losses or fail to optimise profitable growth due to a failure to develop and maintain effective technology solutions or manage key change projects in an effective manner. **Objective** We aim to effectively manage the design, delivery and benefits realisation of major technology and strategic business projects and deliver according to requirements, budgets and timescales. We look to maintain systems that are available to support the ongoing operations in the business.	**Impact** A core part of our strategy is to modernise our home credit operation and invest in digital developments. Effective management of the initiatives within this programme is essential. The Group is currently undergoing a large project programme which carries significant levels of inherent risk. Failure to deliver projects or maintain our IT estate could lead to issues in benefits realisation or business disruption. **Likelihood** Our project programme is complex, covering numerous markets. As such there is a level of risk associated with its delivery. Unforeseen outages can happen against key systems as a result of change or failures in technology.	Appropriate methods and resources used in the delivery of programmes. Programmes are continually reviewed with strong governance of all major delivery activity. Ongoing reviews of our services and relationships with partners ensure we maintain effective service operations. Annual review undertaken to prioritise investment required in underlying technology ensures appropriateness of the underlying technology estate. A dedicated technology committee to oversee technology and change risks.	↔ **Lead responsibility: Chief Executive Officer** Effective oversight of the strategic project deliveries within the portfolio is ensured through the operation of a governance framework which supports the achievement of our strategic objectives, and through a prioritisation process that objectively identifies the priority technology and key business projects. We continued to modernise the home credit business through agent mobile technology, which is now rolled out across Europe, and new sales functionality will be introduced in 2020.

Notes to the financial information for the year ended 31 December 2019 (continued)

2. Principal risks and uncertainties (continued)

Key:	Risk Environment Improving ↑	Risk Environment Stable ↔	Risk Environment Worsening ↓
Risk	**Relevance to Strategy**	**Mitigation**	**Commentary**
5. People Our strategy is impacted by not having sufficient depth and quality of people or being unable to retain key people and treat them in accordance with our values and ethical standards. **Objective** We aim to have sufficient breadth of capabilities and depth of personnel to ensure that we can meet our strategic objectives.	**Impact** In order to achieve our strategic goals, we must continue to attract, engage, develop, retain and reward the right people. The very nature of people risk means that it is often difficult to reduce the frequency with which risks occur; however, our controls are aimed at lowering the impact of any risks. The Group's largest people-related risk relates to agent turnover. Progress has been made this year in critical areas of the Group with work still to be done in others. The focus on retention will continue for the foreseeable future. **Likelihood** Our people, organisation and planning processes ensure that we develop appropriate and significant strength and depth of talent across the Group and we have the ability to move people between countries, which reduces our exposure to critical roles being under-resourced. During 2020, we will continue to develop, resource, retain and reward the right people.	Our HR control environment identifies key people risks and the key controls that we have in place to mitigate them. The key people risks and commensurate controls cover: • Critical skills shortage • Lack of succession to critical roles • Recruitment risks • Appropriate distribution of strategy-aligned objectives • Monitoring and action with regards to key people risks and issues • Key people processes • Appropriate use of reward and compliance with delegated authority from the Remuneration Committee	↔ **Lead Responsibility: Chief Executive Officer** In 2019, we began to identify, assess, monitor and address culture and behaviour. A specific framework is now in place and enforced to address this risk which we intend to mitigate. We also researched, developed and will deploy a global employee value proposition which will describes what we stand for and offer as an employer. See page 34 for further details. We have commenced major programmes in Mexico and European home credit to map and build best practice improvements to our agent and field manager experience.
6. Business continuity and information security We suffer losses or fail to optimise profitable growth due to a failure of our systems, suppliers or processes or due to the loss, theft or corruption of information. **Objective** We aim to maintain adequate arrangements and controls that reduce the threat of service and business disruption and the risk of data loss to as low as reasonably practicable.	**Impact** We record, update and maintain data for each of our customers on a daily basis. The availability of this data, the continued operation of our systems and processes, and availability of our critical suppliers, are essential to the effective operation of our business and the security of our customer information. **Likelihood** While the external threat to our systems is increasing in the digital age, the tools in place reduce the likelihood of a significant failure or information loss.	Technology systems and services are designed for resilience and tested before launch. There is periodic testing and ongoing monitoring of security and recovery capability for technology and premises. Organisation structure in place with qualified people in role. A dedicated committee to oversee business continuity, information security, and technology and change risks.	↔ **Lead responsibility: Chief Executive Officer** During 2019, we tested our information security controls by employing an external company of ethical hackers to identify any vulnerabilities in the access of our IT systems and we continue to work towards further improvement. We continued to use the enhanced network monitoring tool introduced in 2018 to identify any security issues generated by unusual behaviours in the network across all our markets. We performed regular tests and rehearsals of our communication processes and our plans for alternative worksites, where applicable. We also continued our rolling programme of security improvements.

Notes to the financial information for the year ended 31 December 2019 (continued)

2. Principal risks and uncertainties (continued)

Key:	Risk Environment Improving ↑	Risk Environment Stable ↔	Risk Environment Worsening ↓
Risk	**Relevance to Strategy**	**Mitigation**	**Commentary**
7. Reputation We suffer financial or reputational damage due to our methods of operation, ill-informed comment or malpractice. **Objective** We aim to promote a positive reputation based on a mutual understanding of what we do that will help the Group deliver its strategic aims.	**Impact** Our reputation and that of the consumer lending sector can have an impact on both customer sentiment and the engagement of key stakeholders, impacting our ability to operate and serve our customer segment. Elements of this risk relate to external factors that are beyond our influence. Controls in place have reduced residual risk. There is now limited ability to reduce this significantly. **Likelihood** We maintain strong relationships with key stakeholders across the Group in order to develop their understanding of our business model and how we deliver services to our customers. This helps protect the business from unforeseen events that could damage our reputation.	Clearly defined corporate values and ethical standards are communicated throughout the organisation and employees and agents undertake annual ethics e-learning training. Regular monitoring of key reputation drivers. Media strategy to support the key drivers of reputation and sector reputation strategy. Strong oversight by the senior management group on reputation challenges.	↔ **Lead responsibility: Chief Executive Officer** We continued to receive industry awards for the way we conduct our business. We have been recognised for our responsible lending practices, as a top employer and for being a socially responsible business. We take a proactive approach to reputation management and update the market on material challenges that we are required to disclose.
8. World economic environment We suffer financial loss as a result of a failure to identify and adapt to changing economic conditions adequately. **Objective** We aim to have business processes that allow us to respond to changes in economic conditions and optimise business performance.	**Impact** Changes in economic conditions may have an impact on our customers' ability to make repayments. This risk is led entirely by external factors that are not controllable and is driven by the business model and in particular the specifics of the markets in which we operate. **Likelihood** While we operate in numerous markets, the likelihood of a change in economic markets that we are unable to respond to, and that impacts our strategy, is minimised by our short-term lending business models.	Treasury committees review economic indicators. Monitoring of macroeconomic conditions, geopolitical events on financial markets and national news briefings. Strong, personal customer relationships inform us of individual customer circumstances.	↔ **Lead responsibility: Chief Financial Officer** Unsecured consumer lending continues to grow at a steady rate. Macroeconomic conditions in all our European markets are expected to deliver positive GDP growth, low unemployment and moderately increasing inflation in 2020. While GDP growth in Mexico is estimated to contract during 2019, it is forecast to return to modest growth in 2020. With reference to the possibility of a no-deal Brexit at the end of the transition period in December 2020, as our European operations are all within the EU and trade under locally granted licences, we continue to believe that there should not be significant operational disruption. This assessment will be kept under review as negotiations between the UK government and the EU develop.
9. Safety The risk of personal injury or harm to our agents or employees. **Objective** We aim to maintain adequate arrangements and controls that reduce the risks to as low as is reasonably practicable	**Impact** A significant element of our business model involves our agents and employees interacting with our customers in their homes or travelling to numerous locations daily. Their safety while performing their role is paramount to us. **Likelihood** Safety risks typically arise from the behaviour of individuals both internal and external to the business and, therefore, it is not possible to remove the risk entirely with the current business model involving 20,000 agents. Improvements, however, are constantly sought to reduce the risk where possible.	Safety management systems based on internationally recognised standards. Market safety committees and annual safety survey. Bi-annual risk assessment for each agency including mitigation planning and field safety training. Annual self-certification of safety compliance by managers. Regular branch safety meetings and safety awareness campaigns. Role-specific training and competence matrix.	↔ **Lead responsibility: Chief Executive Officer** Our home credit businesses either gained or neared completion of the ISO 45001 Occupational Health and Safety Management Standard. We have a safety strategy specifically for our Mexico home credit business where inherent risks are greater than those in Europe both in terms of likelihood and impact. In 2019, a series of actions were agreed, and are being implemented to further mitigate the residual risk. The Group safety policy was reviewed and reissued in 2019.

Notes to the financial information for the year ended 31 December 2019 (continued)

2. Principal risks and uncertainties (continued)

Key:	Risk Environment Improving ↑	Risk Environment Stable ↔	Risk Environment Worsening ↓
Risk	Relevance to Strategy	Mitigation	Commentary
10. Funding, market and counterparty The risk of insufficient availability of funding, unfavourable pricing, a breach of debt facility covenants, or that performance is significantly impacted by interest rate or currency movements, or failure of a banking counterparty. **Objective** We aim to maintain a robust funding position, and to limit the impact of interest rate and currency movements and exposure to financial counterparties.	**Impact** Funding at appropriate cost and on appropriate terms, and management of financial market risk, are necessary for the future growth of the business. **Likelihood** Board-approved policies require us to maintain a resilient funding position with good headroom on undrawn bank facilities, appropriate hedging of market risk, and appropriate limits to counterparty risk.	Adherence to Board-approved policies monitored through the Treasury Committee, finance leadership team and regular Board reporting. Funding plans presented as part of budget planning. Senior management group oversight. Strong relationships maintained with debt providers.	↔ **Lead responsibility: Chief Financial Officer** Our business has a strong funding position with good headroom on undrawn bank facilities. We have continued to execute our strategy of diversifying the sources of funding and extending the maturity profile. Our credit rating position improved following the affirmation of a BB rating by Fitch and the revision of the outlook from negative to stable, together with a new rating from Moody's of Ba3 stable outlook. Hedging of market risk and limits on counterparty risk are in line with Board-approved policies. We plan to materially refinance our Eurobond by the end of 2020.
11. Credit The risk of the Group suffering financial loss if its customers fail to meet their contracted obligations or the Group failing to optimise profitable business opportunities because of its credit and collection strategies and processes **Objective** We aim to maintain robust credit and collections policies and regularly monitor credit performance.	**Impact** With the expansion of our IPF Digital and Mexico home credit businesses, it is important that we retain control of credit losses in order to achieve our intended returns. For the European home credit businesses, we focus on writing profitable business to deliver strong returns to invest in building a long-term sustainable future. The nature of the business is such that the financial impact of credit risk, even at appetite levels, is substantial. Reducing credit risk further could result in reduced revenue and increased cost ratios. For new businesses, credit risk is higher due to the lack of historical data our credit scorecards rely upon to make adequate lending decisions and a higher proportion of new customers than in the established markets. **Likelihood** Our control environment means that we will see issues quickly and the systems in place mean that we can change credit settings quickly, and therefore the likelihood of suffering large losses is low.	Weekly credit reporting on the quality of business at time of issue as well as the overall portfolio. This feeds into weekly performance calls between each business and the Group credit director. Monthly local credit committees, a monthly Group credit committee and monthly performance calls between each business and the Group management team. When a change is introduced, the credit systems allow for a testing approach that gives direct comparison of the current 'champion' regime against the new 'challenger'. Scorecard and portfolio quality monitoring.	↔ **Lead responsibility: Chief Executive Officer** Overall, credit quality at Group level was maintained in the middle of our target range. Credit quality in European home credit is excellent as a result of good agent collections alongside stable post-field collections. In Mexico home credit, portfolio quality deteriorated in the first half of 2019 due to poorer agent collections. We implemented a series of operational actions to improve performance and there have been some encouraging signs in early lead key performance indicators. Impairment in IPF Digital increased driven by a shift in the mix of the portfolio away from the established markets, which operate with lower and stable loss rates, together with higher than planned impairment in the new markets. Consequently, we took prompt action to tighten our credit scorecards in Poland and Spain.

Notes to the financial information for the year ended 31 December 2019 (continued)

3. Related parties

The Group has not entered into any material transactions with related parties during the year ended 31 December 2019.

4. Segmental analysis

Geographical segments

	2019 **£m**	2018 £m
Revenue		
European home credit	**452.2**	493.3
Mexico home credit	**247.6**	226.1
Digital	**189.3**	147.0
Revenue	**889.1**	866.4
Impairment		
European home credit	**56.0**	88.5
Mexico home credit	**102.3**	82.9
Digital	**85.2**	55.6
Impairment	**243.5**	227.0
Profit before taxation		
European home credit	**115.1**	113.8
Mexico home credit	**10.5**	15.7
Digital	**3.2**	(5.6)
Central costs*	**(14.8)**	(14.6)
Profit before taxation	**114.0**	109.3

*Although central costs are not classified as a separate segment in accordance with IFRS 8 'Operating segments', they are shown separately above in order to provide reconciliation to profit before taxation.

Notes to the financial information for the year ended 31 December 2019 (continued)

4. Segmental analysis (continued)

	2019	2018
	£m	£m
Segment assets		
European home credit	**710.0**	699.8
Mexico home credit	**230.3**	241.7
Slovakia and Lithuania	**-**	0.3
Digital	**314.9**	310.2
UK	**67.5**	70.5
Total	**1,322.7**	1,322.5
Segment liabilities		
European home credit	**297.2**	327.7
Mexico home credit	**147.0**	144.8
Slovakia and Lithuania	**-**	5.3
Digital	**225.8**	224.7
UK	**216.3**	187.0
Total	**886.3**	889.5

	2019	2018
	£m	£m
Capital Expenditure		
European home credit	**7.5**	4.1
Mexico home credit	**1.8**	1.7
Digital	**0.9**	0.9
Total	**10.2**	6.7

	2019	2018
	£m	£m
Depreciation		
European home credit	**5.4**	5.0
Mexico home credit	**2.1**	2.2
Digital	**0.4**	0.6
UK	**0.6**	1.4
Total	**8.5**	9.2

4. Segmental analysis (continued)

	2019 **£m**	2018 £m
Expenditure on intangible assets		
European home credit	**-**	-
Mexico home credit	**-**	-
Digital	**12.8**	10.5
UK	**8.4**	8.8
Total	**21.2**	19.3

	2019 **£m**	2018 £m
Amortisation		
European home credit	**-**	-
Mexico home credit	**-**	-
Digital	**5.7**	4.6
UK	**9.1**	9.9
Total	**14.8**	14.5

5. Tax expense

The taxation charge for the year on statutory profit before taxation was £42.2 million (2018: £33.9 million) which equates to an effective rate of 37.0% (2018: 31.0%).

The effective tax rate for 2020 is expected to be c.40%.

The Group is currently subject to a tax audit with respect to Provident Polska for the years 2008 and 2009. Decisions were received in January 2017 and have been appealed. Audits of years 2010 to 2012 were closed during the year. Further details are set out on page 12. The Group is also subject to audits in Mexico (regarding 2017), Finland (2018-2019), Spain (2015-2017) and Hungary (2017-2018). An audit of Slovakia (2015) was closed in the year.

Notes to the financial information for the year ended 31 December 2019 (continued)

6. Earnings per share

	2019 pence	2018 pence
Basic EPS	**32.2**	33.8
Dilutive effect of awards	**(1.9)**	(1.6)
Diluted EPS	**30.3**	32.2

Basic earnings per share ('EPS') is calculated by dividing the earnings attributable to shareholders of £71.8 million (31 December 2018: £75.4 million) by the weighted average number of shares in issue during the period of 223.1 million which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (31 December 2018: 223.0 million).

For diluted EPS the weighted average number of shares has been adjusted to 237.1 million (31 December 2018: 234.1 million) to assume conversion of all dilutive potential ordinary share options relating to employees of the Group.

7. Dividends

Dividend per share

	2019 pence	2018 pence
Interim dividend	**4.6**	4.6
Final proposed dividend	**7.8**	7.8
Total dividend	**12.4**	12.4

Dividends paid

	2019 £m	2018 £m
Interim dividend of 4.6 pence per share (2018: interim dividend of 4.6 pence per share)	**10.3**	10.3
Final 2018 dividend of 7.8 pence per share (2018: final 2017 dividend of 7.8 pence per share)	**17.4**	17.4
Total dividends paid	**27.7**	27.7

The directors are recommending a final dividend in respect of the financial year ended 31 December 2019 of 7.8 pence per share which will amount to a full year dividend payment of £27.6 million. If approved by the shareholders at the annual general meeting, this dividend will be paid on 11 May 2020 to shareholders who are on the register of members at 14 April 2020. This dividend is not reflected as a liability in the balance sheet as at 31 December 2019 as it is subject to shareholder approval.

Notes to the financial information for the year ended 31 December 2019 (continued)

8. Goodwill

	2019	2018
	£m	£m
Net book value at 1 January	**24.5**	24.4
Exchange adjustments	**(1.4)**	0.1
Net book value at 31 December	**23.1**	24.5

Goodwill is tested annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount is determined from a value in use calculation. The key assumptions used in the value in use calculation relate to the discount rates and growth rates adopted. We adopt discount rates which reflect the time value of money and the risks specific to the legacy MCB business. The cash flow forecasts are based on the most recent financial budgets approved by the Board. The rate used to discount the forecast cash flows is 9% (2018: 10%). No reasonably foreseeable reduction in the assumptions would give rise to impairment, and therefore no further sensitivity analysis has been presented.

9. Intangible assets

	2019	2018
	£m	£m
Net book value at 1 January	**38.0**	33.1
Additions	**21.2**	19.3
Amortisation	**(14.8)**	(14.5)
Exchange adjustments	**(1.2)**	0.1
Net book value at 31 December	**43.2**	38.0

Intangible assets comprise computer software (2019: £43.2 million; 2018: £38.0 million).

10. Property, plant and equipment

	2019	2018
	£m	£m
Net book value at 1 January	**19.9**	23.2
Exchange adjustments	**(0.9)**	-
Additions	**10.2**	6.7
Disposals	**(0.7)**	(0.8)
Depreciation	**(8.5)**	(9.2)
Net book value at 31 December	**20.0**	19.9

As at 31 December 2019 the Group had £2.7 million of capital expenditure commitments contracted with third parties that were not provided for (2018: £4.9 million).

11. Deferred tax assets

Deferred tax assets have been recognised in respect of tax losses and other temporary timing differences (principally relating to recognition of revenue and impairment) to the extent that it is probable that these assets will be utilised against future taxable profits.

12. Non-current tax asset

Non-current tax asset includes an amount of £34.2 million in respect of the tax paid to the Polish Tax Authority, see note 20 for further details.

13. Amounts receivable from customers

All lending is in the local currency of the country in which the loan is issued.

	2019	2018
	£m	£m
Polish zloty	**339.7**	353.0
Czech crown	**68.6**	66.0
Euro	**178.2**	179.1
Hungarian forint	**135.6**	128.3
Mexican peso	**158.1**	176.4
Romanian leu	**70.3**	74.4
Australian Dollar	**23.1**	15.6
Total receivables	**973.6**	992.8

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows receivable discounted at the average effective interest rate of 105% (2018: 109%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 12.2 months (2018: 11.5 months).

Determining an increase in credit risk since initial recognition

IFRS 9 requires the recognition of 12 month expected credit losses (the expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1) and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3).

When determining whether the risk of default has increased significantly since initial recognition the Group considers both quantitative and qualitative information based on the Group's historical experience.

The approach to identifying significant increases in credit risk is consistent across the Group's products. In addition, as a backstop, the Group considers that a significant increase in credit risk occurs when an asset is more than 30 days past due.

13. Amounts receivable from customers (continued)

Financial instruments are moved back to stage 1 once they no longer meet the criteria for a significant increase in credit risk.

Definition of default and credit impaired assets
The Group defines a financial instrument as in default, which is fully-aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- Quantitative criteria: the customer is more than 90 days past due on their contractual payments in home credit and 60 days past due on their contractual payments in IPF Digital;
- Qualitative criteria: indication that there is a measurable movement in the estimated future cash flows from a group of financial assets. For example, if prospective legislative changes are considered to impact the collections performance of customers.

The default definition has been applied consistently to model the probability of default (PD), exposure at default (EAD) and loss given default (LGD) throughout the Group's expected credit loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria.

The breakdown of receivables by stage is as follows:

2019	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total net receivables £m**
Home credit	**448.8**	**85.7**	**186.9**	**721.4**
IPF Digital	**232.5**	**18.8**	**0.9**	**252.2**
Group	**681.3**	**104.5**	**187.8**	**973.6**

2018	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total net receivables £m
Home credit	460.6	90.0	192.2	742.8
IPF Digital	227.0	18.3	4.7	250.0
Group	687.6	108.3	196.9	992.8

The Group has one class of loan receivable and no collateral is held in respect of any customer receivables.

Notes to the financial information for the year ended 31 December 2019 (continued)

14. Borrowing facilities and borrowings

The maturity of the Group's external bond and external bank borrowings and facilities is as follows:

	2019		2018	
	Borrowings	**Facilities**	Borrowings	Facilities
	£m	**£m**	£m	£m
Repayable:				
– in less than one year	**112.7**	**195.2**	28.8	86.6
– between one and two years	**366.7**	**424.9**	172.1	226.6
– between two and five years	**197.0**	**241.5**	497.4	572.8
	563.7	**666.4**	669.5	799.4
Total borrowings	**676.4**	**861.6**	698.3	886.0

Total undrawn facilities as at 31 December 2019 were £182.4 million (2018: £185.5 million), excluding £2.8 million unamortised arrangement fees (2018: £2.2 million).

15. Derivative financial instruments

At 31 December 2019 the Group had an asset of £0.3 million and a liability of £16.2 million (2018: £1.6 million asset and £7.3 million liability) in respect of foreign currency contracts and interest rate swaps. Foreign currency contracts are in place to hedge foreign currency cash flows. Interest rate swaps are used to cover a proportion of current borrowings relating to the floating rate Polish bond and a proportion of floating rate bank borrowings. Where these cash flow hedges are effective, in accordance with IFRS, movements in their fair value are taken directly to reserves.

16. Retirement benefit asset

The amounts recognised in the balance sheet in respect of the retirement benefit obligation are as follows:

	2019	2018
	£m	£m
Equities	**-**	10.8
Diversified growth funds	**6.9**	11.2
Corporate bonds	**18.3**	10.1
Liability driven investments	**18.7**	7.4
Other	**1.9**	1.9
Total fair value of scheme assets	**45.8**	41.4
Present value of funded defined benefit obligations	**(42.4)**	(37.3)
Net asset recognised in the balance sheet	**3.4**	4.1

The credit recognised in the income statement in respect of defined benefit pension costs is £0.1 million (2018: £nil).

Notes to the financial information for the year ended 31 December 2019 (continued)

17. Fair values of financial assets and liabilities

IFRS 7 requires disclosure of fair value measurements of derivative financial instruments by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All of the Group's financial instruments held at fair value fall into hierarchy level 2 (2018: all of the Group's financial instruments held at fair value fell into hierarchy level 2). The fair value of derivative financial instruments has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at the relevant period end.

Except as detailed in the following table, the carrying value of financial assets and liabilities recorded at amortised cost, which are all short-term in nature, are a reasonable approximation of their fair value:

	2019		2018	
	Fair value	**Carrying value**	Fair value	Carrying value
	£m	**£m**	£m	£m
Financial assets				
Amounts receivable from customers	**1,340.4**	**973.6**	1,371.9	992.8
	1,340.4	**973.6**	1,371.9	992.8
Financial liabilities				
Bonds	**533.4**	**539.1**	529.6	567.6
Bank borrowings	**137.3**	**137.3**	130.7	130.7
	670.7	**676.4**	660.3	698.3

The fair value of amounts receivable from customers has been derived by discounting expected future cash flows (as used to calculate the carrying value of amounts due from customers), net of collection costs, at the Group's weighted average cost of capital.

Under IFRS 13 'Fair value measurement', receivables are classed as level 3 as their fair value is calculated using future cash flows that are unobservable inputs.

The fair value of the bonds has been calculated by reference to their market value.

The carrying value of bank borrowings is deemed to be a good approximation of their fair value. Bank borrowings can be repaid within six months if the Group decides not to roll over for further periods up to the contractual repayment date. The impact of discounting would, therefore, be negligible.

18. Reconciliation of profit after taxation to cash generated from operating activities

	2019	2018
	£m	£m
Profit after taxation from operations	**71.8**	75.4
Adjusted for:		
Tax charge	**42.2**	33.9
Finance costs	**63.5**	58.5
Share-based payment charge	**2.4**	1.1
Depreciation of property, plant and equipment (note 10)	**8.5**	9.2
Loss on disposal of property, plant and equipment	**0.5**	0.5
Depreciation of right-of-use assets (note 22)	**9.1**	-
Amortisation of intangible assets (note 9)	**14.8**	14.5
Short term and low value lease costs	**2.9**	-
Changes in operating assets and liabilities:		
Increase in amounts receivable from customers	**(34.3)**	(65.9)
Increase in other receivables	**(3.7)**	-
(Decrease)/increase in trade and other payables	**(18.3)**	3.7
Change in retirement benefit asset	**(1.0)**	(0.9)
Increase/(decrease) in derivative financial instrument liabilities	**10.8**	11.6
Cash generated from operating activities	**169.2**	141.6

19. Average and closing foreign exchange rates

The table below shows the average exchange rates for the relevant reporting periods and closing exchange rates at the relevant period ends.

	Average 2019	**Closing 2019**	Average 2018	Closing 2018
Polish zloty	**4.9**	**5.0**	4.8	4.8
Czech crown	**29.2**	**30.1**	28.9	28.5
Euro	**1.1**	**1.2**	1.1	1.1
Hungarian forint	**370.0**	**391.0**	359.9	357.0
Mexican peso	**24.6**	**25.0**	25.9	25.0
Romanian leu	**5.4**	**5.7**	5.3	5.2
Australian dollar	**1.8**	**1.9**	1.8	1.8

The £42.2 million exchange loss (2018: loss of £8.7 million) on foreign currency translations shown within the statement of comprehensive income arises on retranslation of net assets denominated in currencies other than sterling, due to the change in foreign exchange rates against sterling between December 2018 and December 2019 shown in the table above.

20. Contingent Liability Note

Polish tax audit

The Group's home credit company in Poland, Provident Polska, has been subject to tax audits in respect of the company's 2008 and 2009 financial years. During these audits the Polish tax authorities have challenged an intra-group arrangement with a UK entity, and the timing of the taxation of home collection fee revenues.

These audits culminated with decisions being received from the Polish Tax Chamber (the upper tier of the Polish tax authority) in January 2017 in relation to both the 2008 and 2009 financial years. Provident Polska appealed these decisions to the District Administrative Court, but had to pay the amounts assessed totalling approximately £34.2 million (comprising tax and associated interest) in order to make the appeals. Subsequently an application was made to initiate a process ("mutual agreement procedure") involving the UK and Polish tax authorities aimed at ensuring that the intra-group arrangement is taxed in accordance with international tax principles and as a result the court hearings were stayed. Tax audits were also opened in Poland in respect of 2010 – 2012.

As announced on 24 October 2019, the Polish tax audits of 2010 – 2012 were closed and adjustments to the remaining years up to and including 2017 were agreed with the Polish tax authority. This resulted in an overall payment of £3.8 million for 2010 to 2017. The years 2008 and 2009 remain open. Following expert advice regarding the strength of the case both from a procedural and substantive position, we withdrew our application for mutual agreement procedure between the Polish and UK tax authorities in December 2019 and the cases are expected to be heard in the Polish courts in the first half of 2020.

The directors have received strong external legal advice and note that during a previous tax audit by the same tax authority the Company's treatment of these matters was accepted as correct; and as noted above, in recent months the same tax authority has accepted the Company's treatment for years 2010 onwards with only small adjustments. Therefore, the payments of the sums outlined above are not a reflection of the directors' view on the merits of the case, and accordingly the payments made in January 2017 have been recognised as a non-current tax asset in these Financial Statements given the uncertainties in relation to the timing of any repayment of such amounts.

Notes to the financial information for the year ended 31 December 2019 (continued)

20. Contingent Liability Note (continued)

State Aid investigation

In late 2017 the European Commission (EC) opened a State Aid investigation into the Group Financing Exemption contained in the UK controlled foreign company rules, which were introduced in 2013. In April 2019 the EC announced its finding that the Group Financing Exemption is partially incompatible with EU State Aid rules. In common with other UK-based international companies whose intra-group finance arrangements are in line with current controlled foreign company rules, the Group is affected by this decision. The total tax benefit obtained by the Group in all years as a result of the structure affected by the decision is estimated at up to £13.9 million. The amount repayable by the Group under the decision however is expected to be lower than this as the final decision only found the UK tax regime to be partially incompatible. HMRC has begun a process of gathering information from taxpayers, including IPF, in order to quantify the amount of alleged State Aid received.

The UK government has announced that it has filed an annulment application before the General Court of the European Union. In common with a number of other affected taxpayers, IPF has also filed its own annulment application. Nevertheless, the amount of finally agreed State Aid will need to be paid by the Group to HMRC in accordance with the State Aid rules pending the hearing of the applications. Based on legal advice received by management regarding the strength of the technical position set out in the annulment applications, it is expected to be more likely than not that any payment that the Group makes to HMRC as a result of the State Aid decision will ultimately be repaid. HMRC has stated that it does not consider that the timing and form of the UK's exit from the EU will have any practical impact on this matter.

21. Going concern

The Board has reviewed the budget for the year to 31 December 2020 and the forecasts for the two years to 31 December 2022 which include projected profits, cash flows, borrowings, headroom against debt facilities, and funding requirements. The plan is stress tested in a variety of downside scenarios that reflect the crystallisation of the Group's principal risks with particular reference to regulatory, taxation, funding, market and counterparty risks as outlined in note 2 to this financial information and the consequent impact on future performance, funding requirements and covenant compliance. Consideration has also been given to multiple risks materialising concurrently and the availability of mitigating actions that could be taken to reduce the impact of the identified risks. The Group's total debt facilities including a range of bonds and bank facilities, combined with a successful track record of accessing debt funding markets over a long period (including periods of adverse macroeconomic conditions and a changing competitive and regulatory environment), is sufficient to fund business requirements for the foreseeable future. Taking these factors into account, together with regulatory and taxation risks set out in note 2 to this financial information, the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, the Board has adopted the going concern basis in preparing this financial information.

22. IFRS 16 Leases

IFRS 16, which was endorsed by the EU on 9 November 2017, provides a comprehensive model for the identification of lease arrangements and their treatment in the Financial Statements for both lessors and lessees. IFRS 16 supersedes the current lease guidance including IAS 17 Leases and the related interpretations and became effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group is 1 January 2019.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by the lessee. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is measured initially at cost and measured subsequently at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is measured initially at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows is also affected because operating leases under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments are split into a principal and interest portion, which are both presented as financing cash flows.

All of the Group's leasing arrangements have been reviewed in light of the new rules in IFRS 16 and they will primarily affect the accounting for the Group's operating leases. The Group has adopted IFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases.* These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, at the lessee's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8%.

Furthermore, the Group has applied exemptions available under the standard relating to low value assets and short-term leases.

22. IFRS 16 Leases (continued)

As at the 1 January 2019, the Group had non-cancellable operating lease commitments of £29.0 million. The Group recognised right-of-use assets of £21.5 million on 1 January 2019 and lease liabilities of £21.5 million, overall there was a £nil impact on net assets.

	1 January 2019 £m
Operating lease commitments as at 1 January 2019	**29.0**
Operating lease commitments as at 1 January 2019 restated net of VAT	**27.6**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**25.1**
Less: short-term leases recognised on a straight-line basis as expense	**(5.0)**
Less: low-value leases recognised on a straight-line basis as expense	**(0.4)**
Add: adjustments as a result of a different treatment of extension and termination options	**1.8**
Lease liability recognised as at 1 January 2019	**21.5**

The movement in the lease liability in the period is as follows:

Lease liability

	2019 £m
Lease liability at start of period	**21.5**
Exchange adjustments	**(0.7)**
Additions	**7.1**
Interest	**1.5**
Lease payments	**(9.9)**
Lease liability at end of period	**19.5**
Analysed as:	
Current	**8.7**
Non-current:	
- between one and five years	**10.6**
- greater than five years	**0.2**
	10.8
Lease liability at end of period	**19.5**

22. IFRS 16 Leases (continued)

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 £m	1 January 2019 £m
Properties	**12.4**	16.0
Motor Vehicles	**6.4**	5.5
Total right-of-use assets	**18.8**	21.5

The movement in the right-of-use assets in the period is as follows:

Right-of-use assets

	2019 £m
Net book value at start of period	**21.5**
Exchange adjustments	**(0.7)**
Additions	**7.1**
Depreciation	**(9.1)**
Net book value at end of period	**18.8**

The change in accounting policy affected the balance sheet on 1 January 2019 by increasing segmental assets by £21.5m and increasing segmental liabilities by £21.5m for the right-of-use asset and lease liability respectively. The net impact on retained earnings on 1 January 2019 was £nil.

At 31 December 2019 segmental assets were affected by an increase of £18.8m and segmental liabilities by an increase of £19.5m.

The amounts recognised in profit and loss are as follows:

	2019 £m
Depreciation on right-of-use assets	**9.1**
Interest expense on lease liabilities	**1.5**
Expense relating to short term leases	**2.5**
Expense relating to leases of low value assets	**0.4**
Amounts recognised in profit and loss	**13.5**

The total cash outflow in the year in respect of lease contracts is £13.1m.

Responsibility statement
This statement is given pursuant to Rule 4 of the Disclosure Guidance and Transparency Rules.

It is given by each of the directors as at the date of this report, namely: Dan O'Connor, Chairman; Gerard Ryan, Chief Executive Officer; Justin Lockwood, Chief Financial Officer; Richard Moat, Senior independent non-executive director; Deborah Davis, non-executive director; John Mangelaars, non-executive director; Cathryn Riley, non-executive director, and Bronwyn Syiek, non-executive director.

To the best of each director's knowledge:

a) the financial information, prepared in accordance with the IFRSs, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
b) the management report contained in this report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Alternative performance measures

This financial report provides alternative performance measures (APMs) which are not defined or specified under the requirements of International Financial Reporting Standards. We believe these APMs provide readers with important additional information on our business. To support this we have included a reconciliation of the APMs we use, where relevant, and a glossary indicating the APMs that we use, an explanation of how they are calculated and why we use them.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Income statement measures			
Credit issued growth (%)	None	Not applicable	Credit issued is the principal value of loans advanced to customers and is an important measure of the level of lending in the business. Credit issued growth is the period-on-period change in this metric which is calculated by retranslating the previous year's credit issued at the average actual exchange rates used in the current financial year. This ensures that the measure is presented having eliminated the effects of exchange rate fluctuations on the period-on-period reported results (constant exchange rates).
Average net receivables (£m)	None	Not applicable	Average net receivables are the average amounts receivable from customers translated at the average monthly actual exchange rate (constant exchange rates). This measure is presented to illustrate the change in amounts receivable from customers on a consistent basis with revenue growth.
Average net receivables growth at constant exchange rates (%)	None	Not applicable	Average net receivables growth is the period-on-period change in average net receivables which is calculated by retranslating the previous year's average net receivables at the average actual exchange rates used in the current financial year. This ensures that the measure is presented having eliminated the effects of exchange rate fluctuations on the period-on-period reported results (constant exchange rates).
Revenue growth at constant exchange rates (%)	None	Not applicable	The period-on-period change in revenue which is calculated by retranslating the previous year's revenue at the average actual exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results (constant exchange rates).

Alternative performance measures (continued)

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Revenue yield (%)	None	Not applicable	Revenue yield is reported revenue divided by average net receivables and is an indicator of the gross return being generated from average net receivables.
Impairment as a percentage of revenue (%)	None	Not applicable	Impairment as a percentage of revenue is reported impairment divided by reported revenue and represents a measure of credit quality that is used across the business. This measure is reported on a rolling annual basis (annualised).
Cost-income ratio (%)	None	Not applicable	The cost-income ratio is other costs divided by reported revenue. Other costs represent all operating costs with the exception of amounts paid to agents as collecting commission. This measure is reported on a rolling annual basis (annualised). This is useful for comparing performance across markets.
Like-for-like profit growth or contraction (£m)	None	Not applicable	The period-on-period change in profit adjusted for the impact of exchange rates and, where appropriate, investment in new business development opportunities. The impact of exchange rates is calculated by retranslating the previous period's profit at the current year's average exchange rate. This measure is presented as a means of reporting like-for-like profit movements.
Balance sheet and returns measures			
Return on assets ('ROA') (%)	None	Not applicable	Calculated as profit before interest and less tax at the effective tax rate divided by average net receivables. We believe that ROA is a good measure of the financial performance of our businesses, showing the ongoing return on the total equity and debt capital invested in average net receivables of our operating segments and the Group.
Return on equity ('ROE') (%)	None	Not applicable	Calculated as profit after tax divided by average opening and closing equity. It is used as a measure of overall shareholder returns.
Equity to receivables ratio (%)	None	Not applicable	Total equity divided by amounts receivable from customers. This is a measure of balance sheet strength and the Group targets a ratio of around 40%.
Headroom (£m)	Undrawn external bank facilities	None	Headroom is an alternative term for undrawn external bank facilities.

Alternative performance measures (continued)

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Other measures			
Customers	None	Not applicable	Customers that are being served by our agents or through our money transfer product in the home credit business and customers that are not in default in our digital business.
Customer retention (%)	None	Not applicable	The proportion of customers that are retained for their third or subsequent loan. Our ability to retain customers is central to achieving our strategy and is an indicator of the quality of our customer service. We do not retain customers who have a poor payment history as it can create a continuing impairment risk and runs counter to our responsible lending commitments.
Employees and Agents	Employee information	None	Agents are self-employed individuals who represent the Group's subsidiaries and are engaged under civil contracts with the exception of Hungary and Romania where they are employees engaged under employment contracts due to local regulatory reasons.
Agent and employee retention (%)	None	Not applicable	This measure represents the proportion of our employees and agents that have been working for or representing the Group for more than 12 months. Experienced people help us to achieve and sustain strong customer relationships and a high quality service, both of which are central to achieving good customer retention. Good agent and employee retention also helps reduce costs of recruitment and training, enabling more investment in people development.

Constant exchange rate reconciliations

2019

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customers	**1,009**	**795**	**305**	**-**	**2,109**
Credit issued	**751.3**	**268.2**	**333.5**	**-**	**1,353.0**
Average net receivables	**562.0**	**164.4**	**260.2**	**-**	**986.6**
Revenue	**452.2**	**247.6**	**189.3**	**-**	**889.1**
Impairment	**(56.0)**	**(102.3)**	**(85.2)**	**-**	**(243.5)**
Net revenue	**396.2**	**145.3**	**104.1**	**-**	**645.6**
Finance costs	**(37.1)**	**(11.8)**	**(14.4)**	**(0.2)**	**(63.5)**
Agents' commission	**(51.1)**	**(29.9)**	**-**	**-**	**(81.0)**
Other costs	**(192.9)**	**(93.1)**	**(86.5)**	**(14.6)**	**(387.1)**
Profit/(loss) before tax	**115.1**	**10.5**	**3.2**	**(14.8)**	**114.0**

2018 performance, at 2018 average foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customers	1,092	917	292	-	2,301
Credit issued	757.8	291.0	311.8	-	1,360.6
Average net receivables	558.9	154.9	209.6	-	923.4
Revenue	493.3	226.1	147.0	-	866.4
Impairment	(88.5)	(82.9)	(55.6)	-	(227.0)
Net revenue	404.8	143.2	91.4	-	639.4
Finance costs	(35.3)	(11.3)	(11.9)	-	(58.5)
Agents' commission	(53.7)	(28.8)	-	-	(82.5)
Other costs	(202.0)	(87.4)	(85.1)	(14.6)	(389.1)
Profit/(loss) before tax	113.8	15.7	(5.6)	(14.6)	109.3

Foreign exchange movements

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Credit issued	(17.2)	12.7	(3.4)	-	(7.9)
Average net receivables	(11.6)	6.9	(2.5)	-	(7.2)
Revenue	(10.8)	10.0	(1.6)	-	(2.4)
Impairment	2.4	(3.5)	0.6	-	(0.5)
Net revenue	(8.4)	6.5	(1.0)	-	(2.9)
Finance costs	0.6	(0.5)	0.1	-	0.2
Agents' commission	1.2	(1.3)	-	-	(0.1)
Other costs	3.4	(3.7)	0.9	-	0.6
Profit/(loss) before tax	(3.2)	1.0	-	-	(2.2)

Constant exchange rate reconciliations (continued)

2018 performance, restated at 2019 average foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Credit issued	740.6	303.7	308.4	-	1,352.7
Average net receivables	547.3	161.8	207.1	-	916.2
Revenue	482.5	236.1	145.4	-	864.0
Impairment	(86.1)	(86.4)	(55.0)	-	(227.5)
Net revenue	396.4	149.7	90.4	-	636.5
Finance costs	(34.7)	(11.8)	(11.8)	-	(58.3)
Agents' commission	(52.5)	(30.1)	-	-	(82.6)
Other costs	(198.6)	(91.1)	(84.2)	(14.6)	(388.5)

Year-on-year movement at constant exchange rates

	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Credit issued	1.4%	(11.7%)	8.1%	-	-
Average net receivables	2.7%	1.6%	25.6%	-	7.7%
Revenue	(6.3%)	4.9%	30.2%	-	2.9%
Impairment	35.0%	(18.4%)	(54.9%)	-	(7.0%)
Net revenue	(0.1%)	(2.9%)	15.2%	-	1.4%
Finance costs	(6.9%)	-	(22.0%)	(100.0%)	(8.9%)
Agents' commission	2.7%	0.7%	-	-	1.9%
Other costs	2.9%	(2.2%)	(2.7%)	-	0.4%

Return on assets (ROA)

ROA is calculated as profit before interest after tax divided by average receivables.

2019	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Profit before tax (£m)	**115.1**	**10.5**	**3.2**	**(14.8)**	**114.0**
Interest (£m)	**37.1**	**11.8**	**14.4**	**0.2**	**63.5**
PBIT (£m)	**152.2**	**22.3**	**17.6**	**(14.6)**	**177.5**
Taxation (£m)	**(56.3)**	**(8.3)**	**(6.5)**	**5.4**	**(65.7)**
PBIAT (£m)	**95.9**	**14.0**	**11.1**	**(9.2)**	**111.8**
Average net receivables (£m)	**562.0**	**164.4**	**260.2**	**-**	**986.6**
Return on assets (ROA)	**17.1%**	**8.5%**	**4.3%**	**-**	**11.3%**

2018	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Profit before tax (£m)	113.8	15.7	(5.6)	(14.6)	109.3
Interest (£m)	35.3	11.3	11.9	-	58.5
PBIT (£m)	149.1	27.0	6.3	(14.6)	167.8
Taxation (£m)	(46.2)	(8.4)	(2.0)	4.5	(52.1)
PBIAT (£m)	102.9	18.6	4.3	(10.1)	115.7
Average net receivables (£m)	558.9	154.9	209.6	-	923.4
Return on assets (ROA)	18.4%	12.0%	2.1%	-	12.5%

Return on equity (ROE)

ROE is calculated as profit after tax divided by average net assets

	2019 £m	2018 £m	2017 £m
Equity (net assets)	**436.4**	433.0	389.5
Average equity	**434.7**	411.3	
Profit after tax	**71.8**	75.4	
Return on equity (ROE)	**16.5%**	18.3%	

Earnings before interest, tax, depreciation and amortisation (EBITDA)

	2019 £m	2018 £m
Profit before tax	**114.0**	109.3
Add back:		
Interest	**63.5**	58.5
Depreciation	**8.5**	9.2
Right-of-use assets depreciation	**9.1**	-
Amortisation	**14.8**	14.5
EBITDA	**209.9**	191.5

Information for shareholders

1. The shares will be marked ex-dividend on 9 April 2020.
2. The final dividend, which is subject to shareholder approval, will be paid on 11 May 2020 to shareholders on the register at the close of business on 14 April 2020.
3. A dividend reinvestment scheme is operated by our Registrar, Link Asset Services. For further information contact The Registrar, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (telephone 0871 664 0300. Calls are charged at the standard geographic rate and will vary by provider, or +44 (0)371 664 0300 (from outside the UK charged at the applicable international rate). Lines are open 9.00am to 5.30pm Monday to Friday excluding bank holidays).
4. The Annual Report and Financial Statements 2019 and the notice of the annual general meeting will be posted on 25 March 2020 to shareholders who have elected to continue receiving documents from the Company in hard copy form. All other shareholders will be sent a letter explaining how to access the documents on the Company's website from 26 March 2020 or an email with the equivalent information. Paper proxy forms can be requested from the Registrar by phoning the number above.
5. The annual general meeting will be held at 10.30am on 30 April 2020 at the Company's registered office, Number Three, Leeds City Office Park, Meadow Lane, Leeds, LS11 5BD.

This report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The report should not be relied on by any other party or for any other purpose. The report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Percentage change figures for all performance measures, other than profit before taxation and earnings per share, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate (CER) for 2019 in order to present the underlying performance variance.

Investor relations and media contacts

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International Personal Finance will host a live webcast of its full-year results presentation at 09.00hrs (GMT) today – Wednesday 26 February 2020, which can be accessed in the Investors section of our website at www.ipfin.co.uk.

A copy of this statement can be found on our website at www.ipfin.co.uk.

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