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**Annual Results Announcement  
for the year ended 31 December 2013**

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**International Personal Finance plc**  
**Annual results announcement and statement of dividends**  
**Year ended 31 December 2013**

**A year of growth**

- **Record full year profit up 24%**
  - Profit before tax of £118.1M reflects strong underlying growth of £27.1M and after absorbing investment costs of £4.4M in new market expansion
  - Revenue for the year increased from 9% in prior year to 11%
  - Effective management of credit quality alongside growth, with impairment slightly lower at 26.6% of revenue (2012: 27.0%)
  - Cost-income ratio improved to 39.5% (2012: 39.8%) after absorbing new market entry costs
  
- **Strategy continues to deliver growth**
  - Customer numbers increased year-on-year by 7%
  - Strong credit issued growth of 15%, with more than £1 billion of loans granted in 2013
  - Longer-term, higher value loans rolled out in Poland, Czech Republic and Slovakia
  - Lithuania and Bulgaria established and building geographic coverage
  
- **Strong growth continues in Mexico**
  - Customer growth accelerated to 9%
  - Revenue growth of 21% drove profit increase of 58% to £14.5M
  - Profit per customer increased to £21 (2012: £14)
  - First loans issued in Mexico City in December
  
- **Robust balance sheet and delivering good returns to shareholders**
  - £60M share buyback programme completed in November
  - Equity to receivables of 50% in line with revised target
  - Proposed full year dividend increased by 20% to 9.3 pence per share

Key stats	2013	2012	YOY change at CER
Customers (000s)	<b>2,578</b>	2,415	6.7%
Credit issued (£M)	<b>1,050.8</b>	882.1	15.1%
Revenue (£M)	<b>746.8</b>	651.7	10.6%
Impairment % revenue	<b>26.6%</b>	27.0%	0.4ppts
Cost-income ratio	<b>39.5%</b>	39.8%	0.3ppts
PBT* (£M)	<b>118.1</b>	95.1	
Statutory PBT (£M)	<b>130.5</b>	90.3	
EPS* (pence)	<b>35.46</b>	27.55	
Return on equity* (%)	<b>22.9</b>	20.1	

\* Before exceptional items - see note on page 16

**Chief Executive Officer, Gerard Ryan, commented:**

“2013 has been a year of significant progress for our business with consistent delivery against our Strategy for Growth, a strong trading performance and robust profit growth. In addition to maintaining very good portfolio quality, we entered two new markets, developed our product range and made good progress in our funding objectives. Although we saw heightened regulatory challenges and increased competition we are confident that our strategy and business development will continue to deliver further growth in 2014 and beyond.”

## **A year of growth**

With our Strategy for Growth embedded, we accelerated customer and credit issued growth through expanding our geographic footprint in existing and new markets, broadening our product offer, growing our agent network and increasing our credit risk appetite. We successfully implemented our 2013 growth initiatives whilst at the same time maintaining credit quality and managing costs tightly. Together, these elements resulted in a strong trading performance and excellent profit growth. Looking ahead, forecasts for economic growth and consumer confidence are improving and while there has been heightened regulatory challenges and increased competition, we are confident that our Strategy for Growth will continue to deliver for all our stakeholders in 2014 and beyond.

### **Growth strategy update 2013**

#### Expanding our footprint

We made good progress in growing our business in existing markets and new countries in Europe.

We entered Lithuania and Bulgaria in 2013 demonstrating our ability to leverage our existing infrastructure and management resources to open in neighbouring countries quickly and more cost-effectively. In Lithuania we opened two branches in Vilnius and Kaunas plus four smaller offices and have 70 agents serving 1,800 customers. In Bulgaria, which we opened in September, we have four branches, 96 agents and around 2,400 customers. We now plan to accelerate geographical expansion rapidly in both of these markets during 2014.

We opened four new branches in Mexico including our first branch in Mexico City in December 2013, a conurbation with a population of more than 20 million. As part of our expansion in Mexico City we are testing the delivery of loans on a pre-paid card. In addition, we expanded our office infrastructure in Romania building a solid platform to reach more customers in 2014 and into the future.

#### Improving customer engagement

The feedback we receive from our customers and the improvements we are seeing in customer retention tells us that we provide products and services that they value. Nevertheless, we are committed to improving customer engagement and we believe that expanding our product offer to customers is key to this.

Our research indicates that many of our customers would like to borrow a larger sum of money but maintain the same weekly instalment as their current smaller-sum loan. To meet this demand we rolled out a range of longer-term loan products to our best quality customers in Poland, the Czech Republic and Slovakia. We have seen strong demand and credit quality is good. Longer-term loans were launched in Hungary in February 2014 and a pilot is underway in Romania.

We continued to reward good quality, loyal customers through preferential pricing. At the year end this was in place in Poland, the Czech Republic, Slovakia and Hungary. Tests of preferential pricing also began in Mexico and Romania and our intention is to roll out in these markets during the second half of 2014.

We also conducted a test of a home insurance product in Hungary from which we gained a number of valuable insights. We are currently working with our insurance partner to introduce improved product pricing, more levels of cover and more effective sales processes in our field workforce. In Q4 2013, we also launched a pilot offering life and medical assistance insurance to our customers in Mexico for the duration of their loan. The insurance risk associated with these products is not taken on our balance sheet.

### Developing a sales culture

Having experienced and motivated employees and agents is key to delivering our growth ambitions and we made significant progress in this area in 2013. We grew our agency force by 5% to around 30,000 whilst at the same time reducing agent turnover by 11 percentage points to 46%. We also saw employee turnover reduce by 1% to 22% and made significant improvements in the engagement levels of employees and agents across all our markets.

A major development in 2013 has been the re-engineering of the role of the Development Managers who manage our agency force. Under the branding of 'ProXXI', the removal of unnecessary activities and the provision of tablet technology enable these managers to devote more time to growing their business, supported by reward and recognition systems linked closely to sustainable profitable growth. To date around 1,000 managers have benefited from these changes, which have been rolled out in Hungary and will be completed in Poland in April. These changes will be made in our other markets during 2014 and into 2015.

### Effective execution

We benefit from the use of credit scoring systems as well as the intelligence we gain from our agency force who meet with every customer before we approve any loan. From a scoring system perspective, we continue to extend the use of credit bureaux across all our markets to enable us to make better lending decisions. It is now in use as part of our new customer decision making process in Hungary, Mexico and Lithuania. We are running tests in Poland and Romania, and plan to trial it in the Czech Republic, Slovakia and Bulgaria during 2014.

We also tested the impact of increasing credit limits on a centrally approved basis for our best and most experienced agents. This showed that their experience enabled us to increase loan sizes for good quality customers by approximately 5-10% while, at the same time, maintaining or reducing the level of impairment. As a result of these successful tests, we introduced segmented credit rules to our best agents in Poland and Hungary towards the end of 2013 and plan to introduce this initiative in other markets in 2014.

To ensure that we execute our Strategy for Growth successfully across our markets, we have established a global change programme, Transformation for Growth, to manage developments in products, processes and technology in a controlled way. We have also engaged a major new IT partner, who has a strong global presence and a good track record of partnering large businesses to deliver technology programmes. This will support the modernisation of our systems and help us deliver a more technology-enabled approach to serving our customers.

## **Market overview**

The global economy has strengthened gradually since the 2008 and 2009 financial crisis and GDP growth in our markets was in positive territory during 2013, with the exception of the Czech Republic. Looking ahead, prospects for economic activity in 2014 are more optimistic still, with significantly higher GDP growth predicted in all our markets with forecasts expected in the range of 1.5% and 3.5% in Europe and the higher rate of 3.8% in Mexico.

Overall consumer confidence improved in our European markets in 2013. In Mexico, consumer confidence reduced but is still at a higher level than in Europe.

As a consequence of the buoyant economies in which we operate and strong demand for credit from consumers, we continue to see competition intensifying in most of our European markets, particularly from the payday lending sector in Poland, the Czech Republic, Slovakia and Lithuania. Whilst we do not compete head-to-head with these providers, they have impacted our share of voice on TV. We also saw growing competitive pressure in the Czech Republic with intensified media activity from bank and non-bank lenders together with other home credit operators. The competitive environment in Mexico's micro-finance sector is largely unchanged.

## **Regulation**

The level of regulatory debate on rate caps and other consumer protection initiatives across Europe has continued to increase during the past year. This is a reaction, in part, to the perceived excesses of the financial services industry that were identified in the recent global financial crisis and follows increased regulation of the banking sector. As a result all financial services companies, including consumer lenders, face increased legislation and challenges from consumer protection authorities. More recently the attention of the media, politicians and regulators has also shifted to the non-bank consumer credit sector, driven by a combination of market specific matters, such as the shadow banking issue in Poland, and the rise in payday lending.

As a result, draft proposals have been published in Poland to supplement the existing interest rate cap with a further cap on mandatory non-interest charges for credit and a cap on default charges. In the Czech Republic, an opposition party has passed into committee a proposal for a rate cap based on a multiplier of the Lombard rate. In Slovakia, parliamentary debate is underway regarding the re-introduction of a rate cap and the possibility of prohibiting loans being delivered in cash. We expect both the Czech and Slovak proposals to go through substantial revision before returning to Parliament for further debate.

On 24 December 2013 we announced that our Polish business had received a notice from UOKiK, the Polish Office of Consumer Protection and Competition, stating that the way it calculates APR amounts to a collective infringement of consumer interests and subjecting it to a fine of PLN 12.4M (approx. £2.4M). UOKiK believes that the fee for our optional home collection service and an associated preparatory fee should be included in the total cost of credit and, therefore, the APR figure. We disagree with UOKiK's decision and have legal opinion supporting our view that the way we calculate our fees is correct. We have submitted our appeal and the decision is now expected to go through the court appeal process. There are three possible levels to the appeal process and were we to lose all three, then under current legislation, we would be required to update our loan documentation and marketing to include the relevant fees in the total cost of credit and APR calculations. UOKiK is also reviewing the practices of a number of non-bank consumer credit providers, in respect of the calculation of fees for loan products. Our charging methodologies are in line with industry standards but, as part of this review, we are exploring alternatives in respect of certain elements of the product structure with UOKiK.

We have experienced teams in each market working proactively with the relevant parties. We also have a track record of evolving our products and services to meet new regulatory requirements, as well as remaining transparent and valued by our customers. As a result, we do not expect any of these matters to have a significant impact on business performance or our growth prospects.

## Operational performance

### Group

Our strategy continues to generate good growth in all our markets, building on the positive momentum achieved in 2012. The Group delivered a record full year profit of £118.1M before tax and exceptional items, an increase of 24%. The key drivers of this strong performance were accelerating customer growth to 7% (2012: 4%) and credit issued growth to 15% (2012: 13%) which, in turn, led to revenue growth of 11% (2012: 9%). At the same time, our robust credit controls and strong operational management resulted in stable credit quality and a modest improvement in impairment as a percentage of revenue to 26.6%. The Group results are set out below:

	2013 £M	2012 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	2,578	2,415	163	6.7	6.7
Credit issued	1,050.8	882.1	168.7	19.1	15.1
Average net receivables	710.0	588.3	121.7	20.7	16.5
Revenue (net of ESRs)	746.8	651.7	95.1	14.6	10.6
Impairment	(198.6)	(176.2)	(22.4)	(12.7)	(8.7)
	548.2	475.5	72.7	15.3	11.3
Finance costs	(49.0)	(41.6)	(7.4)	(17.8)	(12.9)
Agents' commission	(86.1)	(74.9)	(11.2)	(15.0)	(11.2)
Other costs	(295.0)	(263.9)	(31.1)	(11.8)	(10.2)
Profit before taxation and exceptional items	118.1	95.1	23.0	24.2	
Exceptional items	12.4	(4.8)	17.2		
<b>Statutory profit before taxation</b>	<b>130.5</b>	<b>90.3</b>	<b>40.2</b>		

At the half year we highlighted that customer growth was below our expectation and that we were taking action to address this through expanding our agency force and further incentivising managers and agents to deliver growth. We worked hard to achieve these plans through the second half of the year and are pleased to report agency growth of 5% to around 30,000 and customer growth of 7% to 2.6M, a significant acceleration compared to the 3% customer growth reported at the half year.

The 7% increase in customer numbers, together with a 9% increase in the amount of credit issued per customer, resulted in credit issued growth of 15%. This was partly due to our strategies of rolling out longer-term higher value loans to our better quality customers and selective credit easing. More than £1 billion of credit was also granted for the first time. However, the average period to maturity of outstanding receivables remains short at 5.8 months (2012: 5.4 months).

This growth also resulted in a 17% increase in average net receivables to £710.0M. Revenue grew by 11% in 2013 (2012: 9%) and the rate of growth increased through the year as follows:

	Q1	Q2	Q3	Q4	Full year
Revenue growth	8%	10%	11%	13%	11%

This acceleration reflects a combination of the growth in the receivables book and a reducing year-on-year impact of early settlement rebates ('ESR') in Poland. At £8.4M, the total impact of ESRs in 2013 was slightly lower than our guidance and is now fully embedded in the Group's income statement.

Our credit management systems are well tested and we have been successful in refining our credit rules to deliver faster growth while maintaining robust collections. Consequently, impairment as a percentage of revenue reduced to 26.6% (2012: 27.0%) and remains firmly in our target range. As a result of revenue growth and good credit quality, net revenue increased by 11%.

Finance costs increased by 13%, which is 11 percentage points less than the 24% increase in average borrowings. This reduction in average interest cost was driven by a combination of the lower margin on bonds issued in 2013 together with a reduction in local interest rates in our markets. Agents' commission costs, which are based largely on collections in order to promote responsible lending, increased by 11% to £86.1M in line with growth of the business.

We continued to manage costs tightly and our cost-income ratio improved by 0.3 percentage points to 39.5% after absorbing £4.4M of start-up costs in Lithuania and Bulgaria. The cost-income ratio adjusted for new market investment improved to 38.9%, a reduction of 0.9 percentage points on 2012. This improvement was also achieved after investing an additional £8.4M in growth opportunities, which included marketing expenditure and field management incentivisation.

## Segmental results

To provide a better understanding of underlying performance, the following table shows the performance of each of our markets highlighting the impact of the higher ESRs, investment in new markets and stronger FX rates used to translate our local currency profits into sterling. All markets delivered underlying profit growth during the year, and growth at Group level was very strong, increasing by 28% to £27.1M, driven by strong credit issued growth, stable credit quality and good cost control.

	<b>2013 reported profit £M</b>	Underlying profit movement £M	Additional ESR costs £M	New market costs £M	Stronger FX rates £M	2012 reported profit £M
Poland-Lithuania	<b>62.3</b>	11.8	(8.4)	(1.9)	5.9	54.9
Czech-Slovakia	<b>32.5</b>	5.0	-	-	0.4	27.1
Hungary	<b>19.4</b>	5.5	-	-	1.4	12.5
Romania-Bulgaria	<b>3.1</b>	0.9	-	(2.5)	0.2	4.5
Mexico	<b>14.5</b>	4.5	-	-	0.8	9.2
UK costs	<b>(13.7)</b>	(0.6)	-	-	-	(13.1)
<b>Profit before taxation*</b>	<b>118.1</b>	27.1	(8.4)	(4.4)	8.7	95.1

\* Before exceptional items – see note on page 16

## Exceptional items

The income statement includes an exceptional gain of £12.4M. This comprises a profit on the sale of impaired receivables originating from loans issued in Poland of £15.9M and a write down of IT assets of £3.5M. The impairment of IT assets arose from a review of the future technology platforms that we need to support our growth strategy, which identified assets that are no longer compatible with this vision.



## **Taxation**

The taxation charge for the year on statutory pre-tax profit was £34.9M (2012: £16.2M) which equates to an effective rate of 26.7%. The underlying tax charge on pre-exceptional profit was £31.9M which represents an effective tax rate of 27.0%. The effective tax rate is expected to remain broadly at this level in 2014.

## **Dividend**

In accordance with our progressive dividend policy and subject to shareholder approval, a final dividend of 5.5 pence per share will be payable which will bring the full year dividend to 9.3 pence per share (2012: 7.7 pence per share), an increase of 20%. The increased dividend reflects the strong underlying trading performance and the cash generative nature of the business model. The dividend will be paid on 9 May 2014 to shareholders on the register at the close of business on 11 April 2014. The shares will be marked ex-dividend on 9 April 2014.

## **Balance sheet, funding and cash flow**

We have a well-funded balance sheet with low gearing and our business model generates strong cash flow.

We have a strong balance sheet with 50% of our receivables book funded by equity, which is in line with our new target following the completion of a £60M share buyback in November 2013. We have an objective of making the balance sheet work harder and a key driver is expected to be the anticipated reduction in funding costs when we refinance our core eurobond funding, which matures in August 2015. Gearing is low at 1.0 times and we have significant headroom against our funding covenants. A core attribute of our business model is that we borrow long and lend short which enables the Group to maintain financial flexibility. At the year end 96.4% of borrowings were due after more than one year and 94.2% of receivables were due within one year.

The Group is well-funded with headroom of £175.3M against total facilities of £575.8M. We have a clear strategy to diversify sources, extend term and reduce costs of our funding and we made good progress against these objectives in 2013. We issued £132M of bonds from a range of bond markets and extended £51M of bank facilities whilst also extending our overall debt maturity profile. The bonds were issued on a like-for-like basis at around 500 basis points lower than the 2010 eurobond. We issued £101.5M seven-year sterling retail bonds at a fixed coupon of 6.125%, £11.2M five-year Hungarian forint denominated bonds at a fixed coupon of 11%, £7.6M five-year Czech crown bonds at a fixed coupon of 5.25% and £11.3M three-year Romanian lei bonds at a fixed coupon of 8.10%. Around 70% of our debt facilities and almost all drawn borrowings at the year end were provided by our bonds. We have local currency denominated bonds in all our established European markets which reduces exposure to currency volatility.

Our business model is highly cash generative and during the year we generated operating cash flows of £227.3M (2012: £172.6M) before funding a £143.1M increase in net receivables (2012: £74.4M). This strong cash flow meant that borrowings increased by just £92.8M to £400.5M despite the growth in net receivables and the £60M share buyback.

## Outlook

Our strategy is delivering growth and we reported a record profit in 2013. The macroeconomic backdrop in our markets is positive and forecast to be supportive of our growth plans in 2014. While the level of regulatory debate and competition is increasing, we have a strong track record of adapting our business model to meet new requirements and continue to serve our customers with products that they value. Through our Strategy for Growth we are on track to expand the business, strengthen customer relationships and develop our product range, and we are confident of making further good progress in 2014.

## Operating review

### Poland and Lithuania

Our largest market, Poland, had another excellent year with the country team delivering a strong set of results and the launch of our business in Lithuania - the first of two new markets opened in 2013. Adjacent to our Polish market, we are now serving around 1,800 customers in Lithuania from two branches in the key cities of Vilnius and Kaunas supported by teams located in four smaller offices.

Poland also spearheaded our global change agenda with its ProXXI programme, which aims to introduce more efficient ways of working to improve the way we serve customers and deliver growth. Our managers at the front-end of our business have taken a lead role in developing initiatives to support our change objectives including the removal of non-value adding tasks, performance management, new incentive schemes, agent credit segmentation and the introduction of tablet technology for Development Managers.

From a trading perspective, Poland delivered good growth in credit issued and receivables together with well controlled costs resulting in a 13% increase in profit before tax of £62.3M. These factors resulted in an £11.8M increase in underlying profit and a £5.9M benefit from stronger FX rates, partially offset by £8.4M of higher ESR costs and a £1.9M investment in Lithuania.

	2013 £M	2012 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	841	821	20	2.4	2.4
Credit issued	380.4	326.6	53.8	16.5	11.9
Average net receivables	282.6	235.7	46.9	19.9	15.0
Revenue	295.7	268.8	26.9	10.0	5.6
Impairment	(84.3)	(79.5)	(4.8)	(6.0)	(1.6)
	211.4	189.3	22.1	11.7	7.3
Finance costs	(20.2)	(17.4)	(2.8)	(16.1)	(11.0)
Agents' commission	(30.0)	(27.1)	(2.9)	(10.7)	(6.4)
Other costs	(98.9)	(89.9)	(9.0)	(10.0)	(10.1)
<b>Profit before taxation</b>	<b>62.3</b>	54.9	7.4	13.5	
Poland	64.2	54.9	9.3	16.9	
Lithuania	(1.9)	-	(1.9)	-	
<b>Profit before taxation</b>	<b>62.3</b>	54.9	7.4	13.5	

Competition in Poland intensified in 2013 with an increased presence of payday lenders which reduced our share of voice in the media despite an increase in advertising investment. Our product offering is different from these lenders and, while their emergence has influenced regulatory debate, we estimate their impact on customer growth in 2013 was marginal.

Against this backdrop, we were pleased to deliver credit issued growth of 12%. This was driven by a combination of 2% customer growth and the introduction of new products, in particular longer-term loans which were offered to our better quality customers and represented 15% of credit issued in 2013.

Average net receivables increased by 15% reflecting the strong growth in credit issued. As expected, revenue grew at the slower rate of 6% due to the £8.4M impact of higher ESRs and lower revenue yields on our longer-term product. Revenue growth rates increased from 1% in Q1 to 10% in Q4 as the year-on-year impact of ESRs slowed throughout the year.

Managing and refining our credit systems has helped deliver growth while maintaining stable credit quality. As a result we were successful in improving the impairment to revenue ratio by 1.1 percentage points to 28.5%.

Expansion into new markets is a key strand of our growth strategy. We expect significant customer and credit issued growth in Lithuania in 2014 by achieving full geographic coverage by the end of the year, increasing our agent network from 70 to approximately 300 agents and building higher awareness of our offer through continued marketing investment and TV advertising. Including our investment in the launch of this new market, the cost-income ratio for Poland and Lithuania increased to 33.4%. The cost-income ratio for the Polish business increased slightly to 32.8% as a result of the dilutive impact that higher ESRs had on revenue growth together with an additional £2.5M in growth-related expenditure. In 2014, we expect the investment in start-up losses in Lithuania to be around £4M to £5M.

We plan to deliver further growth in Poland and Lithuania in 2014. We will achieve this by completing the roll out of ProXXI in Poland, investing more in marketing and incentives and completing market coverage in Lithuania.

## Czech Republic and Slovakia

Our management team's focus on growth in 2013 delivered good growth in credit issued and a strong 20% increase in reported profit to £32.5M. This is particularly pleasing following a challenging year in 2012.

	2013 £M	2012 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	381	383	(2)	(0.5)	(0.5)
Credit issued	230.2	206.6	23.6	11.4	9.3
Average net receivables	161.7	145.3	16.4	11.3	8.9
Revenue	142.8	133.4	9.4	7.0	4.8
Impairment	(33.8)	(34.2)	0.4	1.2	2.9
	109.0	99.2	9.8	9.9	7.4
Finance costs	(9.5)	(8.8)	(0.7)	(8.0)	(4.4)
Agents' commission	(15.4)	(14.8)	(0.6)	(4.1)	(2.0)
Other costs	(51.6)	(48.5)	(3.1)	(6.4)	(3.6)
<b>Profit before taxation</b>	<b>32.5</b>	<b>27.1</b>	<b>5.4</b>	<b>19.9</b>	

Market conditions in Slovakia are generally positive and more supportive of delivering growth. In the Czech Republic, however, we faced growing competitive pressure primarily from other home credit operators but also from banks and non-bank lenders which utilised higher profile advertising to attract customers. Economic activity in this market also contracted.

Greater competition resulted in a reduction in customer numbers in the first half, and this was wholly attributable to the Czech Republic. We worked hard to return to growth and concentrated our efforts on growing customer numbers through improving agent productivity, expanding our product range and aligning incentive schemes to growth objectives. As a result, we added 5,000 customers and closed the year only 0.5% down on 2012, reversing the 3% contraction reported at the half year. These actions also helped deliver a 9% increase in both credit issued and average net receivables and good revenue growth of 5%.

We continued with the roll out of longer-term higher value products, discounted loans for loyal customers and selective credit easing. Longer-term products were offered to our higher quality customers and contributed to 19% of lending in 2013. In Q4, our discounted offer was available to around 18% of our customers and made up 19% of credit issued in the year.

We aim to test credit bureaux in both markets in 2014 to support our objective to accelerate growth. Impairment as a percentage of revenue reduced by 1.9 percentage points to 23.7%, falling outside our target range of 25% to 30%, and so indicating that there is scope to capture further sales opportunities and grow the business faster, particularly in Slovakia.

Other costs were well-controlled and resulted in the cost-income ratio reducing by 0.4 percentage points to 36.1%.

We are looking to maintain the rate of credit issued growth and increase customer numbers and revenue growth in 2014. We will also refine our credit management rules to enable growth and expect the impairment to revenue ratio to rise into our target range as a result.

## Hungary

Our Hungarian business goes from strength to strength. The highlights of the year were achieving more than 300,000 customers, a very strong trading performance and another major award win where our business in Hungary has been granted 'Superbrand' status demonstrating its excellent reputation in the consumer credit sector as well as being a provider of products that our customers value.

On trading performance, we delivered excellent growth in credit issued and profit together with a significant reduction in the cost-income ratio of nearly five percentage points. Underlying profit growth of £5.5M coupled with a £1.4M benefit from stronger FX rates resulted in a 55% increase in reported profit of £19.4M.

	2013 £M	2012 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	307	268	39	14.6	14.6
Credit issued	138.5	114.2	24.3	21.3	19.3
Average net receivables	97.3	76.6	20.7	27.0	24.6
Revenue	97.6	78.2	19.4	24.8	22.5
Impairment	(18.4)	(11.9)	(6.5)	(54.6)	(52.1)
	79.2	66.3	12.9	19.5	17.2
Finance costs	(7.5)	(6.3)	(1.2)	(19.0)	(15.4)
Agents' commission	(15.8)	(13.4)	(2.4)	(17.9)	(16.2)
Other costs	(36.5)	(34.1)	(2.4)	(7.0)	(8.6)
<b>Profit before taxation</b>	<b>19.4</b>	<b>12.5</b>	<b>6.9</b>	<b>55.2</b>	

Hungary has the most stable and engaged workforce within the Group and this has been the key driver behind the 15% increase in customer numbers to 307,000 in 2013. This customer growth, together with our strategy to ease credit settings, helped deliver a strong increase in credit issued of 19% and resulted in average net receivables and revenue growth of 25% and 22% respectively.

Hungary's customer portfolio continued to demonstrate excellent credit quality and our collections performance remains good. As planned, impairment as a percentage of revenue increased by 3.7 percentage points to 18.9%, reflecting our appetite for faster growth. It is, however, well below our target range of 25% to 30% and so we will continue to target opportunities for further profitable growth through credit easing.

Despite growing the business so strongly, we also controlled other costs very tightly and, as a result, the cost-income ratio improved by 4.9 percentage points to 37.4%, falling below 40% for the first full year.

In 2014, we have now set our sights on growing customer numbers to 321,000 and increasing credit issued through the introduction of a longer-term, higher value product and continued easing of credit controls.

## Romania and Bulgaria

Our business in Romania delivered an improved performance in 2013 and is firmly back in growth mode, marked by it passing the 300,000 customer number milestone in Q4. The Romanian management team also expanded our geographical footprint in Q3 when trading in Bulgaria commenced – our second new market of the year. 2013 was a year of investment that will facilitate further growth in 2014 and, therefore, underlying profit growth was modest at £0.9M. Reported profit for the year was £5.6M before investing £2.5M in the launch of Bulgaria.

	2013 £M	2012 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	305	260	45	17.3	17.3
Credit issued	104.8	85.8	19.0	22.1	15.7
Average net receivables	60.8	52.0	8.8	16.9	10.7
Revenue	66.8	57.2	9.6	16.8	10.8
Impairment	(18.9)	(18.3)	(0.6)	(3.3)	1.6
	47.9	38.9	9.0	23.1	16.5
Finance costs	(4.8)	(4.1)	(0.7)	(17.1)	(9.1)
Agents' commission	(6.8)	(5.6)	(1.2)	(21.4)	(15.3)
Other costs	(33.2)	(24.7)	(8.5)	(34.4)	(27.2)
<b>Profit before taxation</b>	<b>3.1</b>	<b>4.5</b>	<b>(1.4)</b>	<b>(31.1)</b>	
Romania	5.6	4.5	1.1	24.4	
Bulgaria	(2.5)	-	(2.5)	-	
<b>Profit before taxation</b>	<b>3.1</b>	<b>4.5</b>	<b>(1.4)</b>	<b>(31.1)</b>	

Macroeconomic conditions in Romania stabilised in 2013 which gave us confidence to change our focus from collections to targeting faster growth during Q2. We also invested in expanding our geographical coverage by opening offices within our existing regional footprint which has allowed us to reach a broader base of new customers. These actions resulted in strong customer growth of 17% and we closed the year with 305,000 customers.

Credit issued grew by 16% and was driven largely by the strong growth in customer numbers and easing credit rules for existing customers. Our 78-week longer-term product, which we piloted in 2013, has been well received by customers and we plan to roll it out across the market in 2014. Average net receivables and revenue both grew by 11%.

At the same time as achieving strong growth, we delivered an improved collections performance and impairment as a percentage of revenue improved by 3.7 percentage points to 28.3%. This is well within our target range.

The investment in additional infrastructure to deliver growth, excluding Bulgaria, resulted in the cost-income ratio increasing by 2.3 percentage points to 46.0%. We expect the cost-income ratio to reduce significantly in 2014 as we leverage this year's investment to deliver further growth in customers and credit issued.

In Bulgaria, we are pleased with the development of our business where we have opened four branches and are serving around 2,400 customers. We plan to open a further six branches to achieve full geographic coverage in 2014 which, in turn, will enable us to commence mass marketing on TV and through other channels. As a result, we expect our investment in start-up losses to increase to between £4M and £5M in 2014.

## Mexico

Our Mexican business remains on track to deliver its objective of achieving £33 profit per customer by 2015 through increasing revenue per customer, maintaining impairment as a percentage of revenue in our target range of 25% to 30% and reducing the cost-income ratio to below 40%. During 2013, we have delivered well against this objective with continued strong growth driving an increase in profit per customer from £14 to £21 and a 58% increase in reported profit to £14.5M.

We also expanded our geographic footprint with the opening of four new branches, including our first in Mexico City in December 2013. This new region has a population of more than 20 million and represents a significant source of future growth.

	2013 £M	2012 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	744	683	61	8.9	8.9
Credit issued	196.9	148.9	48.0	32.2	26.5
Average net receivables	107.6	78.7	28.9	36.7	31.1
Revenue	143.9	114.1	29.8	26.1	21.1
Impairment	(43.2)	(32.3)	(10.9)	(33.7)	(28.6)
	100.7	81.8	18.9	23.1	18.2
Finance costs	(7.0)	(5.0)	(2.0)	(40.0)	(34.6)
Agents' commission	(18.1)	(14.0)	(4.1)	(29.3)	(24.0)
Other costs	(61.1)	(53.6)	(7.5)	(14.0)	(10.3)
<b>Profit before taxation</b>	<b>14.5</b>	<b>9.2</b>	<b>5.3</b>	<b>57.6</b>	

To achieve our profit per customer target, our primary objective is to increase revenue per customer, whilst maintaining a good rate of customer growth. We made good progress against these objectives with customer growth of 9%, supported by an increase in our branch infrastructure from 54 to 58 branches, and strong growth in revenue of 21%. As part of our expansion in Mexico we grew our agency force by 9% to 9,400 and, at the same time, reduced agent turnover significantly by 7 percentage points to 46%.

The increase in revenue per customer was supported by the progressive introduction of new credit settings, which enabled the business to issue higher value loans over extended loan terms to better quality customers. These new credit settings are now in place in 42 branches across Mexico and contributed to very strong growth in credit issued of 27% and average net receivables of 31%. We plan to roll out these new settings to our remaining branches in 2014.

Impairment as a percentage of revenue increased slightly to 30.0%. We did, however, introduce credit bureau in our credit decision making process in Mexico during the second half of the year and, going forward, we believe that this will be an important tool in enabling us to further increase revenue per customer whilst maintaining the impairment ratio within our target range.

Agents' commission increased in line with revenue growth whilst other costs continued to be controlled tightly resulting in a significant 3.9 percentage point improvement in the cost-income ratio to 42.5%.

In 2014, we plan to open a further five branches, develop our operations in Mexico City and continue to make progress towards the objective of reaching £33 profit per customer by 2015.

*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 2013 in order to present the underlying performance variance.*

**Notes:**

**Exceptional items**

*Profit before tax excluding an exceptional gain of £12.4M (2012: exceptional charge of £4.8M).*

*Earnings per share and return on equity excluding an exceptional gain of £12.4M (2012: adjusted to a 27.0% tax rate and excluding an exceptional charge of £4.8M).*



## International Personal Finance plc

### Consolidated income statement for the year ended 31 December

	Notes	2013 £M	2012 £M
Revenue	4	746.8	651.7
Impairment	4	(198.6)	(176.2)
<b>Revenue less impairment</b>		<b>548.2</b>	<b>475.5</b>
Finance costs		(49.0)	(41.6)
Other operating costs		(112.5)	(100.3)
Administrative expenses		(268.6)	(238.5)
<b>Total costs</b>		<b>(430.1)</b>	<b>(380.4)</b>
<b>Profit before taxation and exceptional items</b>	4	<b>118.1</b>	95.1
Exceptional items	8	12.4	(4.8)
<b>Profit before taxation</b>	4	<b>130.5</b>	90.3
Tax income – UK		1.2	4.4
Tax expense – overseas		(36.1)	(20.6)
Total tax expense	5	(34.9)	(16.2)
<b>Profit after taxation attributable to owners of the Company</b>		<b>95.6</b>	74.1

The profit for the period is from continuing operations.

### Earnings per share - total

	Notes	2013 pence	2012 pence
Basic	6	39.18	29.42
Diluted	6	38.07	28.63

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

### Dividend per share

	Notes	2013 pence	2012 pence
Interim dividend		3.80	3.23
Final proposed dividend		5.50	4.51
<b>Total dividend</b>	7	<b>9.30</b>	7.74

### Dividends paid

	Notes	2013 £M	2012 £M
Interim dividend of 3.80 pence per share (2012: interim dividend of 3.23 pence per share)		9.4	8.2
Final 2012 dividend of 4.51 pence per share (2012: final 2011 dividend of 4.10 pence per share)		11.0	10.4
<b>Total dividends paid</b>	7	<b>20.4</b>	18.6

## Statement of comprehensive income for the year ended 31 December

	2013	2012
	£M	£M
<b>Profit after taxation attributable to owners of the Company</b>	<b>95.6</b>	<b>74.1</b>
<b>Other comprehensive income/(expense)</b>		
Items that may subsequently be reclassified to income statement:		
Exchange (losses)/gains on foreign currency translations	(3.9)	11.7
Net fair value (losses)/gains – cash flow hedges	(0.5)	2.1
Tax credit/(charge) on items that may be reclassified	0.3	(0.6)
Items that will not subsequently be reclassified to income statement:		
Actuarial gains on retirement benefit obligation	1.9	0.6
Tax charge on items that will not be reclassified	(0.4)	(0.1)
<b>Other comprehensive (expense)/income net of taxation</b>	<b>(2.6)</b>	<b>13.7</b>
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>93.0</b>	<b>87.8</b>

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

## Balance sheet as at 31 December

	Notes	2013 £M	2012 £M
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets		1.8	3.2
Property, plant and equipment	9	28.8	28.3
Deferred tax assets	10	65.2	57.1
		<b>95.8</b>	<b>88.6</b>
<b>Current assets</b>			
Amounts receivable from customers			
- due within one year		739.1	627.2
- due in more than one year		45.7	23.1
	11	<b>784.8</b>	<b>650.3</b>
Derivative financial instruments	13	6.5	-
Cash and cash equivalents		24.6	24.2
Other receivables		14.4	15.4
Current tax assets		1.3	2.0
		<b>831.6</b>	<b>691.9</b>
<b>Total assets</b>		<b>927.4</b>	<b>780.5</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	12	(14.4)	(16.4)
Derivative financial instruments	13	(3.7)	(1.4)
Trade and other payables		(102.8)	(68.2)
Current tax liabilities		(25.6)	(21.1)
		<b>(146.5)</b>	<b>(107.1)</b>
<b>Non-current liabilities</b>			
Retirement benefit obligation	14	(0.9)	(3.2)
Borrowings	12	(386.1)	(294.4)
		<b>(387.0)</b>	<b>(297.6)</b>
<b>Total liabilities</b>		<b>(533.5)</b>	<b>(404.7)</b>
<b>Net assets</b>		<b>393.9</b>	<b>375.8</b>
<b>Equity attributable to owners of the Company</b>			
Called-up share capital		24.0	24.9
Other reserve		(22.5)	(22.5)
Foreign exchange reserve		9.8	13.7
Hedging reserve		(0.5)	(0.3)
Shares held by employee trust		(3.0)	(4.5)
Capital redemption reserve		1.7	0.8
Retained earnings		384.4	363.7
<b>Total equity</b>		<b>393.9</b>	<b>375.8</b>

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 2012	25.7	(22.5)	(5.5)	330.0	327.7
Comprehensive income:					
Profit after taxation for the year	-	-	-	74.1	74.1
Other comprehensive income/(expense):					
Exchange gains on foreign currency translation	-	-	11.7	-	11.7
Net fair value gains – cash flow hedges	-	-	2.1	-	2.1
Actuarial gains on retirement benefit obligation	-	-	-	0.6	0.6
Tax charge on other comprehensive income	-	-	(0.6)	(0.1)	(0.7)
Total other comprehensive income	-	-	13.2	0.5	13.7
Total comprehensive income for the year	-	-	13.2	74.6	87.8
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	3.1	3.1
Deferred tax on share-based payment transactions	-	-	-	0.8	0.8
Own shares acquired	(0.8)	-	0.8	(25.0)	(25.0)
Shares granted from employee trust	-	-	1.2	(1.2)	-
Dividends paid to Company shareholders	-	-	-	(18.6)	(18.6)
At 31 December 2012	24.9	(22.5)	9.7	363.7	375.8
<b>At 1 January 2013</b>	<b>24.9</b>	<b>(22.5)</b>	<b>9.7</b>	<b>363.7</b>	<b>375.8</b>
Comprehensive income:					
Profit after taxation for the year	-	-	-	95.6	95.6
Other comprehensive income/(expense):					
Exchange losses on foreign currency translation	-	-	(3.9)	-	(3.9)
Net fair value losses – cash flow hedges	-	-	(0.5)	-	(0.5)
Actuarial gains on retirement benefit obligation	-	-	-	1.9	1.9
Tax credit/(charge) on other comprehensive income	-	-	0.3	(0.4)	(0.1)
Total other comprehensive (expense)/income	-	-	(4.1)	1.5	(2.6)
Total comprehensive (expense)/income for the year	-	-	(4.1)	97.1	93.0
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	5.2	5.2
Deferred tax on share-based payment transactions	-	-	-	0.3	0.3
Own shares acquired	(0.9)	-	0.9	(60.0)	(60.0)
Shares granted from employee trust	-	-	1.5	(1.5)	-
Dividends paid to Company shareholders	-	-	-	(20.4)	(20.4)
<b>At 31 December 2013</b>	<b>24.0</b>	<b>(22.5)</b>	<b>8.0</b>	<b>384.4</b>	<b>393.9</b>

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

## Cash flow statement for the year ended 31 December

	2013 £M	2012 £M
<b>Cash flows from operating activities</b>		
Cash generated from operating activities	84.2	98.2
Established businesses	101.8	89.6
Developing businesses	(17.6)	8.6
	<u>84.2</u>	<u>98.2</u>
Finance costs paid	(47.0)	(40.9)
Income tax paid	(38.5)	(28.1)
<b>Net cash (used in)/generated from operating activities</b>	<u>(1.3)</u>	<u>29.2</u>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(13.9)	(9.4)
Proceeds from sale of property, plant and equipment	0.6	2.5
Purchases of intangible assets	-	(1.5)
<b>Net cash used in investing activities</b>	<u>(13.3)</u>	<u>(8.4)</u>
<b>Net cash from operating and investing activities</b>		
Established businesses	21.0	30.9
Developing businesses	(35.6)	(10.1)
	<u>(14.6)</u>	<u>20.8</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	142.4	54.6
Repayment of borrowings	(47.4)	(25.9)
Dividends paid to Company shareholders	(20.4)	(18.6)
Acquisition of own shares	(60.0)	(25.0)
Cash received on options exercised	0.7	-
<b>Net cash generated from/(used in) financing activities</b>	<u>15.3</u>	<u>(14.9)</u>
<b>Net increase in cash and cash equivalents</b>	<b>0.7</b>	<b>5.9</b>
Cash and cash equivalents at beginning of year	24.2	17.9
Exchange (losses)/gains on cash and cash equivalents	(0.3)	0.4
<b>Cash and cash equivalents at end of year</b>	<u>24.6</u>	<u>24.2</u>

## Reconciliation of profit after taxation to cash generated from operating activities

	2013	2012
	£M	£M
Profit after taxation	95.6	74.1
Adjusted for:		
Tax charge	34.9	16.2
Finance costs	49.0	41.6
Share-based payment charge	3.1	2.0
Defined benefit pension cost	0.1	-
Depreciation of property, plant and equipment (note 9)	9.6	9.8
Loss/(profit) on disposal of property, plant and equipment	3.1	(0.2)
Amortisation of intangible assets	1.1	1.9
Loss on disposal of intangible assets	0.3	-
Changes in operating assets and liabilities:		
Amounts receivable from customers	(143.1)	(74.4)
Other receivables	0.9	4.1
Trade and other payables	35.2	10.0
Retirement benefit obligation	(0.5)	(0.2)
Derivative financial instruments	(5.1)	13.3
<b>Cash generated from operating activities</b>	<b>84.2</b>	<b>98.2</b>

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

## Notes to the financial information for the year ended 31 December 2013

### 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 2013, 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 2012 have been delivered to the Registrar of Companies and those for 2013 will be delivered following the Company's annual general meeting. The auditors have reported on those Financial Statements: their 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 16 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 2013 which can be found on the Group's website ([www.ipfin.co.uk](http://www.ipfin.co.uk)).

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2013 and have the following impact on the Group:

- IFRS 13 'Fair value measurement' – the impact of this standard has been to increase the level of disclosure provided on financial assets and financial liabilities; and
- IAS 19 'Employee benefits' (as revised in 2011) – the impact of this standard has been to increase the level of disclosure provided on the defined benefit pension scheme.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2013 but do not have any impact on the Group:

- IFRS 1 (amendments) 'Severe hyperinflation and removal of fixed dates', 'Government loans';
- IFRS 7 (amendment) 'Disclosures – offsetting financial assets';
- IFRS 10 'Consolidated Financial Statements';
- IFRS 11 'Joint arrangements';
- IFRS 12 'Disclosure of interests in other entities';
- IAS 1 'Presentation of items of other comprehensive income';
- IAS 12 (amendment) 'Recovery of underlying assets';
- IAS 27 'Separate Financial Statements' (as revised in 2011); and
- IAS 28 'Investments in associates and joint ventures' (as revised in 2011).

## Notes to the financial information for the year ended 31 December 2013 (continued)

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

- IFRS 9 'Financial instruments'. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The mandatory implementation date for this standard has not been finalised nor has the standard been endorsed by the European Union. At the International Accounting Standards Board's (IASB) November 2013 meeting, the IASB tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017. The Group is in the process of assessing IFRS 9's full impact;
- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment entities';
- IAS 19 (amendment) 'Employee contributions';
- IAS 32 (amendment) 'Offsetting financial assets and financial liabilities';
- IAS 36 (amendment) 'Recoverable amount disclosures';
- IAS 39 (amendment) 'Novation of derivatives'; and
- IFRIC 21 'Levies'.



## Notes to the financial information for the year ended 31 December 2013 (continued)

### 2. Principal risks and uncertainties

In accordance with the Companies Act 2006, a description of the principal risks (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 2013, we faced an increasingly challenging external environment, particularly from changing regulation and competition. Internally, we are reshaping our operational governance framework and implementing an improved risk management process. The risks facing the business by risk category are:

<i>Risk category</i>	<i>Definition</i>	<i>Risks</i>	<i>Description</i>
<b>Market conditions</b>	The risk that we cannot identify, respond to, comply with or take advantage of external market conditions.	– Regulatory*	– Compliance with laws and regulations
		– Competition and Product Proposition*	– Adapting to competitive environment
		– Funding*	– Funding availability to meet business needs
		– Interest rate* }	– Market volatility impacting performance and asset values
		– Currency* }	
		– Counterparty*	– Loss of banking partner
		– Taxation*	– Changes to, or interpretation of, tax legislation
		– World Economic Environment*	– Adapting to economic conditions
<b>Stakeholder</b>	The risk that key stakeholders take a negative view of the business either as a direct result of our actions or inability to effectively manage their perception of the Group.	– Reputation*	– Reputational damage
		– Customer Service	– Maintenance of customer service standards
<b>Operational</b>	The risk of unacceptable losses as a result of inadequate or failures in our internal core processes, systems or people behaviours.	– Credit*	– Customers fail to repay
		– Safety*	– Harm to our agents/people
		– People*	– Quantity/calibre of people
		– Service disruption and information security*	– Recoverability and security of systems and processes
		– Financial and performance reporting	– Failure of financial reporting systems
		– Technology	– Maintenance of effective technology
		– Business Operations	– Effective operation of business model
		– Fraud	– Theft or fraud loss
<b>Business development</b>	The risk that our earnings are impacted adversely by a sub optimal business strategy or the sub optimal implementation of that strategy, both due to internal or external factors.	– New market and acquisition	– Growth of our footprint and operations
		– Change Management*	– Delivery of strategic initiatives
		– Brand	– Strength of our customer brand

\* Risks currently considered as the key risks facing the Group by the Risk Advisory Group.

## Notes to the financial information for the year ended 31 December 2013 (continued)

### 2. Principal risks and uncertainties (continued)

As at the year end, the Risk Advisory Group considered that there are 14 key risks which require ongoing focus (noted with asterisks in the table above). Nine of these are at a level of significance which requires regular monitoring by the Board. The current principal risks and uncertainties facing the Group are as follows:

<b>Key:</b>	Risk environment improving ↑	Risk environment worsening ↓	Risk environment stable ↔
<i>Risk</i>	<i>Relevance</i>	<i>Mitigation</i>	<i>Commentary</i>
<p><b>Regulatory</b></p> <p>We suffer losses or fail to optimise profitable growth due to a failure to operate in compliance with all applicable laws and regulations, or an external party interpreting these in a different way.</p> <p><b>Objective</b></p> <p>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.</p>	<p>We must keep up to speed with regulatory developments to ensure we can remain competitive and provide value for our customers.</p> <p>Changes in regulation or differences in interpretation can lead to challenge of our products/practices.</p>	<p>We have highly skilled and experienced legal teams at Group level and in each of our markets.</p> <p>Expert third party advisors are used where necessary.</p> <p>Strong relationships are maintained with regulators and other stakeholders.</p> <p>Co-ordinated legal and public affairs teams, at a Group level and each market, monitor political, legislative and regulatory developments.</p>	<p><b>Lead Responsibility:</b> <b>Chief Financial Officer</b></p> <p>A number of legislative and regulatory changes continue to be proposed and debated, particularly in Europe.</p> <p>The Group is currently subject to some challenges over its interpretation of regulation.</p> <p>We continue to maintain constructive relationships with regulators and opinion formers.</p> <p style="text-align: center;">↓</p>
<p><b>Competition and product proposition</b></p> <p>We suffer losses or fail to optimise profitable growth through not responding to the competitive environment in market or a failure to ensure our proposition meets customer needs.</p> <p><b>Objective</b></p> <p>We aim to ensure we understand competitive threats and deliver customer focused products to drive growth.</p>	<p>In an environment of increasing competition and broadening customer choice, ensuring our product meets customers' needs is critical to deliver growth.</p>	<p>Regular monitoring of competitors and their offerings in our markets.</p> <p>Competitor advertising and share of voice monitored.</p> <p>Regular surveys of customer views on our product offerings.</p> <p>Product development committees established across the Group to manage product change.</p>	<p><b>Lead Responsibility:</b> <b>Chief Executive Officer</b></p> <p>The competitive landscape continues to evolve.</p> <p>Our Strategy for Growth includes ongoing initiatives designed to improve customer engagement.</p> <p style="text-align: center;">↓</p>
<p><b>Reputation</b></p> <p>We suffer financial or reputational damage due to our methods of operation, ill-informed comment or malpractice.</p> <p><b>Objective</b></p> <p>We aim to promote a positive reputation that will enable the Group to achieve its strategic aims.</p>	<p>Our reputation can have an impact on both customer sentiment and the engagement of key stakeholders.</p>	<p>Group Reputation and Regulation Committee.</p> <p>Clearly defined corporate values and ethical standards which are communicated throughout the organisation.</p> <p>External monitoring of reputation.</p>	<p><b>Lead Responsibility:</b> <b>Chief Executive Officer</b></p> <p>Our businesses continue to achieve awards for ethical and effective operations and we have seen improvements in the perception of our organisation across all markets in the results of external surveys in 2013.</p> <p>In light of the increasing regulatory challenges being faced, we continue to communicate our position to investors and other key stakeholders</p> <p style="text-align: center;">↔</p>

## Notes to the financial information for the year ended 31 December 2013 (continued)

### 2. Principal risks and uncertainties (continued)

Key:	Risk environment improving ↑	Risk environment worsening ↓	Risk environment stable ↔
<i>Risk</i>	<i>Relevance</i>	<i>Mitigation</i>	<i>Commentary</i>
<p><b>Safety</b></p> <p>The risk of personal accident or assault for any of our agents or employees.</p> <p><b>Objective</b></p> <p>We aim to maintain adequate arrangements that reduce the risks to as low as is reasonably practicable.</p>	<p>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.</p> <p>Their safety is paramount to us and we strive to ensure that our agents and employees can carry out their work without risk of harm.</p>	<p>Group and market loss prevention committees and annual safety survey.</p> <p>Bi-annual risk mapping for each agency including mitigation planning and field safety training.</p> <p>Annual self-certification of safety compliance by managers.</p> <p>Quarterly branch safety meetings.</p> <p>Role specific training and competence matrix.</p> <p>Safety management systems based on internationally recognised standards.</p>	<p><b>Lead Responsibility: Chief Commercial Officer</b></p> <p>We continued to make progress in our safety management systems throughout 2013 with the UK, Hungarian, Czech Republic and Slovakian businesses being certified against OHSAS 18001. The remaining markets are expected to be accredited in 2014.</p> <p>Safety continues to be a significant area of focus for the Group.</p> <p>↑</p>
<p><b>People</b></p> <p>Our strategy is impacted due to 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.</p> <p><b>Objective</b></p> <p>We will have sufficient depth of personnel to ensure we can meet our growth objectives.</p>	<p>Our Strategy for Growth includes plans to expand our footprint both in existing and new markets.</p> <p>In order to achieve this growth we must continue to attract, retain and reward the right people.</p>	<p>People and Organisational Planning process operating throughout the Group.</p> <p>Groupwide personal development review process and continuous development through tools such as 360 feedback.</p> <p>Annual employee and agent engagement surveys and improvement plans.</p> <p>Group standard employee competency framework aligned to Strategy for Growth.</p>	<p><b>Lead Responsibility: Chief Executive Officer</b></p> <p>Our succession and development process has been implemented in all markets in 2013 and plans to develop key individuals are in place.</p> <p>Agent stability has continued to improve in all markets.</p> <p>Our global engagement survey showed that employee and agent engagement has improved significantly.</p> <p>↑</p>
<p><b>Service disruption and information security</b></p> <p>We suffer losses or fail to optimise profitable growth due to a failure of our systems, suppliers or processes, or due to the loss or theft of sensitive information.</p> <p><b>Objective</b></p> <p>We aim to maintain adequate arrangements and controls that reduce the threat of service disruption and the risk of data loss to as low as is reasonably practicable.</p>	<p>Globally we have 2.6 million customers and we record, update and maintain data for each of them on a weekly basis.</p> <p>The availability of this data, and the continued operation of our systems and processes, are essential to the effective operation of our business and the security of our customer information.</p>	<p>Agreed standard operating procedures for handling, transmitting and storing information, supported by formal training arrangements.</p> <p>Core "Head Office" based systems operate in a virtualised environment and are supported by approved service level agreements.</p> <p>Agreed and tested business continuity plan for all branches and Head Office functions.</p> <p>Business Impact Assessments performed at least every two years.</p> <p>Group and market level governance committees that oversee our service disruption and information security arrangements.</p>	<p><b>Lead Responsibility: Chief Commercial Officer</b></p> <p>In 2013, we performed a groupwide review of both our information security and service continuity control systems. We have developed management systems based on ISO standards.</p> <p>We continue to enhance our systems and processes to ensure customer and business data is as secure as practicable and that any disruption to the business is minimised.</p> <p>↑</p>

## Notes to the financial information for the year ended 31 December 2013 (continued)

### 2. Principal risks and uncertainties (continued)

<b>Key:</b>	Risk environment improving ↑	Risk environment worsening ↓	Risk environment stable ↔
<i>Risk</i>	<i>Relevance</i>	<i>Mitigation</i>	<i>Commentary</i>
<p><b>Taxation</b> We suffer additional taxation or financial penalties associated with failure to comply with tax legislation or adopting an interpretation of the law which cannot be sustained.</p> <p><b>Objective</b> We aim to generate shareholder value through effective management of tax whilst acting as a good corporate citizen.</p>	<p>In 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.</p>	<p>Binding rulings or clearances obtained from authorities where appropriate.</p> <p>External advisors used for all material tax transactions.</p> <p>Qualified and experienced tax teams in each of our markets and in the UK.</p>	<p><b>Lead Responsibility: Chief Financial Officer</b></p> <p>We continue to be vigilant and ensure our interpretation of taxation legislation is defensible.</p> <p>Tax audits are currently being undertaken in Poland and Mexico.</p> <p style="text-align: center;">↓</p>
<p><b>Change management</b> We suffer losses or fail to optimise profitable growth due to a failure to manage change in an effective manner.</p> <p><b>Objective</b> We aim to effectively manage the design, delivery and benefits realisation of major global change initiatives and deliver according to requirements, budgets and timescales.</p>	<p>Our global change programme, Transformation for Growth, is key to delivering our Strategy for Growth.</p> <p>Effective management of the initiatives within this programme is essential.</p>	<p>Executive Director and Country Manager level prioritisation of key initiatives.</p> <p>Standard project management methodology principles defined.</p> <p>Governance structure in place to oversee ongoing change at Group and market levels.</p>	<p><b>Lead Responsibility: Chief Commercial Officer</b></p> <p>Our change programme has commenced.</p> <p>We have engaged a major new IT partner to help us deliver a more technology-enabled approach to serving our customers.</p> <p style="text-align: center;">↑</p>
<p><b>World economic environment</b> We suffer financial loss as a result of a failure to identify and adapt to changing economic conditions adequately.</p> <p><b>Objective</b> We aim to have business processes which allow us to respond to changes in economic conditions and optimise business performance.</p>	<p>Changes in economic conditions have a direct impact on our customers' ability to make repayments.</p>	<p>Treasury and Credit Committees review economic indicators.</p> <p>Daily monitoring of economic, political and national news briefings.</p> <p>Strong, long-term customer relationships inform us of individual customer circumstances.</p>	<p><b>Lead Responsibility: Chief Financial Officer</b></p> <p>Macroeconomic conditions have continued to stabilise in 2013 with indications of a broader recovery in 2014.</p> <p style="text-align: center;">↑</p>

## Notes to the financial information for the year ended 31 December 2013 (continued)

### 3. Related parties

The Group has not entered into any material transactions with related parties during the year ended 31 December 2013.

### 4. Segmental analysis

Geographical segments

	2013 £M	2012 £M
<b>Revenue</b>		
Poland-Lithuania	295.7	268.8
Czech-Slovakia	142.8	133.4
Hungary	97.6	78.2
Mexico	143.9	114.1
Romania-Bulgaria	66.8	57.2
	<b>746.8</b>	<b>651.7</b>
<b>Impairment</b>		
Poland-Lithuania	84.3	79.5
Czech-Slovakia	33.8	34.2
Hungary	18.4	11.9
Mexico	43.2	32.3
Romania-Bulgaria	18.9	18.3
	<b>198.6</b>	<b>176.2</b>
<b>Profit before taxation</b>		
Poland-Lithuania	62.3	54.9
Czech-Slovakia	32.5	27.1
Hungary	19.4	12.5
Mexico	14.5	9.2
Romania-Bulgaria	3.1	4.5
UK costs*	(13.7)	(13.1)
<b>Profit before taxation – pre-exceptional items</b>	<b>118.1</b>	<b>95.1</b>
Exceptional items	12.4	(4.8)
<b>Profit before taxation</b>	<b>130.5</b>	<b>90.3</b>

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

## Notes to the financial information for the year ended 31 December 2013 (continued)

### 4. Segmental analysis (continued)

	2013 £M	2012 £M
<b>Segment assets</b>		
Poland-Lithuania	339.9	291.1
Czech-Slovakia	190.0	172.8
Hungary	127.2	104.8
Mexico	160.9	116.9
Romania-Bulgaria	73.0	60.4
UK	36.4	34.5
	<b>927.4</b>	<b>780.5</b>
<b>Segment liabilities</b>		
Poland-Lithuania	102.7	75.8
Czech-Slovakia	120.6	73.1
Hungary	58.9	47.7
Mexico	110.2	70.3
Romania-Bulgaria	40.3	31.8
UK	100.8	106.0
	<b>533.5</b>	<b>404.7</b>
<b>Capital expenditure</b>		
Poland-Lithuania	1.5	1.1
Czech-Slovakia	0.9	1.3
Hungary	2.6	2.3
Mexico	1.2	0.7
Romania-Bulgaria	0.8	0.5
UK	6.9	3.5
	<b>13.9</b>	<b>9.4</b>
<b>Depreciation</b>		
Poland-Lithuania	1.4	1.5
Czech-Slovakia	1.2	2.0
Hungary	1.5	1.2
UK	3.8	3.5
Mexico	1.0	1.0
Romania-Bulgaria	0.7	0.6
	<b>9.6</b>	<b>9.8</b>

The segments shown above are the segments for which management information is presented to the Board which is deemed to be the Group's chief operating decision maker. The Board considers the business from a geographic perspective.

### 5. Tax expense

The taxation charge for the year on statutory pre-tax profit is £34.9M (2012: £16.2M) which equates to an effective rate of 26.7% (2012: 17.9%). The effective tax rate is expected to remain broadly at this level in 2014. In 2012, the Group refined its method for providing for uncertain tax positions to reflect the latest best estimate of probable future cash outflows and, as a result, reduced the opening provision by £8.4M. The underlying taxation charge on pre-exceptional profit in 2012 excluding this provision release was £25.7M which represents an effective tax rate of 27.0%.

## Notes to the financial information for the year ended 31 December 2013 (continued)

We currently have ongoing tax audits in Poland and Mexico and, while such proceedings are by their nature uncertain, we do not, at this stage, expect them to have a material impact on the tax charge when they are concluded.

### 6. Earnings per share

Basic earnings per share ('EPS') is calculated by dividing the earnings attributable to shareholders of £95.6M (2012: £74.1M) by the weighted average number of shares in issue during the period of 244.0M (2012: 251.9M) which has been adjusted to exclude the weighted average number of shares held by the employee trust.

For diluted EPS, the weighted average number of IPF plc ordinary shares in issue is adjusted to 251.1M to assume conversion of all dilutive potential ordinary share options relating to employees of the Group (2012: adjusted to 258.8M).

	<b>2013</b>	2012
	<b>pence</b>	pence
Basic EPS	<b>39.18</b>	29.42
Dilutive effect of awards	<b>(1.11)</b>	(0.79)
<b>Diluted EPS</b>	<b>38.07</b>	28.63

The adjusted earnings per share, of 35.46 pence (2012: 27.55 pence), shown in the financial highlights of this report has been presented before exceptional items, in order to better present the performance of the Group. In 2012, the adjusted earnings per share was presented at a constant 27% tax rate and before exceptional items.

### 7. Dividends

The directors are recommending a final dividend in respect of the financial year ended 31 December 2013 of 5.50 pence per share which will amount to a full year dividend payment of £22.4M. If approved by the shareholders at the annual general meeting, this dividend will be paid on 9 May 2014 to shareholders who are on the register of members at 11 April 2014. This dividend is not reflected as a liability in the balance sheet as at 31 December 2013 as it is subject to shareholder approval.

### 8. Exceptional items

Profit before taxation includes a £15.9M profit on sale of impaired receivables originating from loans issued in Poland and a write down in the carrying value of IT assets of £3.5M. The impairment of IT assets arose from a review of the future technology platforms that we need to support our growth strategy, which identified assets that are no longer compatible with this vision.

The exceptional charge in 2012 of £4.8M related to the cost of a management restructuring exercise designed to strengthen UK functional support teams and refresh the country management teams.

## Notes to the financial information for the year ended 31 December 2013 (continued)

### 9. Property, plant and equipment

	2013 £M	2012 £M
Net book value at 1 January	28.3	30.6
Exchange adjustments	(0.1)	0.4
Additions	13.9	9.4
Disposals	(3.7)	(2.3)
Depreciation	(9.6)	(9.8)
<b>Net book value at 31 December</b>	<b>28.8</b>	<b>28.3</b>

As at 31 December 2013 the Group had £3.6M of capital expenditure commitments contracted with third parties that were not provided for (2012: £3.3M).

### 10. 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.

### 11. Amounts receivable from customers

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

	2013 £M	2012 £M
Polish zloty	310.0	264.0
Lithuanian litas	0.4	-
Czech crown	114.4	108.0
Euro (Slovakia)	55.6	46.6
Hungarian forint	112.5	89.1
Mexican peso	122.5	87.1
Romanian leu	69.0	55.5
Bulgarian lev	0.4	-
<b>Total receivables</b>	<b>784.8</b>	<b>650.3</b>

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 (EIR) of 126% (2012: 131%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 5.8 months (2012: 5.4 months).

The Group has one class of loan receivable and no collateral is held in respect of any customer receivables. The Group does not use an impairment provision account for recording impairment losses and, therefore, no analysis of gross customer receivables less provision for impairment is presented.

Revenue recognised on amounts receivable from customers which have been impaired was £421.7M (2012: £370.1M).



## Notes to the financial information for the year ended 31 December 2013 (continued)

### 12. Borrowings

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

	2013		2012	
	Borrowings £M	Facilities £M	Borrowings £M	Facilities £M
Repayable:				
– in less than one year	14.4	45.3	16.4	76.2
– between one and two years	247.5	361.3	14.3	26.8
– between two and five years	38.3	67.7	280.1	367.3
– greater than five years	100.3	101.5	-	-
	<b>386.1</b>	<b>530.5</b>	294.4	394.1
<b>Total borrowings</b>	<b>400.5</b>	<b>575.8</b>	310.8	470.3

### 13. Derivative financial instruments

At 31 December 2013 the Group had an asset of £6.5M and a liability of £3.7M (2012: £nil asset and £1.4M liability) in respect of foreign currency contracts and interest rate swaps. Foreign currency contracts are in place to hedge volatility on the retranslation of foreign currency monetary assets and 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. These cash flow hedges are effective and in accordance with IFRS, movements in their fair value are taken directly to reserves.

### 14. Retirement benefit obligation

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

	2013 £M	2012 £M
Equities	18.2	16.2
Bonds	8.2	6.9
Index-linked gilts	6.7	4.5
Other	0.1	2.4
Total fair value of scheme assets	33.2	30.0
Present value of funded defined benefit obligation	(34.1)	(33.2)
<b>Net obligation recognised in the balance sheet</b>	<b>(0.9)</b>	<b>(3.2)</b>

The charge recognised in the income statement in respect of defined benefit pension costs is £0.1M (2012: £nil).

## Notes to the financial information for the year ended 31 December 2013 (continued)

### 15. Average and closing foreign exchange rates

The table below shows the average exchange rates, including the impact of hedging, for the relevant reporting periods and closing exchange rates at the relevant period ends.

	Average 2013	Closing 2013	Average 2012	Closing 2012
Poland	5.0	5.0	5.4	5.0
Lithuania	4.1	4.2	n/a	n/a
Czech Republic	30.3	32.9	30.9	30.8
Slovakia	1.2	1.2	1.2	1.2
Hungary	347.2	357.6	378.3	357.5
Romania	5.2	5.4	5.2	5.5
Bulgaria	2.3	2.4	n/a	n/a
Mexico	20.2	21.6	21.5	20.9

### 16. Going concern

The Board has reviewed the budget for the year to 31 December 2014 and the forecasts for the four years to 31 December 2018 which include projected profits, cash flows, borrowings and headroom against facilities. The Group's committed funding through a combination of bonds and committed bank facilities is sufficient to fund the planned growth of our existing operations and new markets for the foreseeable future. The Group also has a successful track record of accessing debt funding markets. Taking these factors into account 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.

### 17. Responsibility statement

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

It is given by each of the directors: namely, Christopher Rodrigues, Chairman; Gerard Ryan, Chief Executive Officer; Adrian Gardner, Chief Financial Officer; David Broadbent, Chief Commercial Officer; Tony Hales, non-executive director; Edyta Kurek, non-executive director; Richard Moat, non-executive director; Nicholas Page, non-executive director and Cathryn Riley, 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.

## Information for shareholders

1. The shares will be marked ex-dividend on 9 April 2014.
2. The final dividend, which is subject to shareholder approval, will be paid on 9 May 2014 to shareholders on the register at the close of business on 11 April 2014. Dividend warrants/vouchers will be posted on 7 May 2014.
3. A dividend reinvestment scheme is operated by Capita Registrars. For further information contact them at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (telephone 0871 664 0300. Calls cost 10 pence per minute plus network extras, or +44 (0)20 8639 3367 (from outside the UK charged at the local standard rate). Lines are open 8.30am to 5.30pm Monday to Friday excluding bank holidays).
4. The Annual Report and Financial Statements 2013, the notice of the annual general meeting and a proxy card will be posted on 19 March 2014 to shareholders who have elected to continue receiving documents from the Company in hard copy form. All other shareholders will be sent a proxy card and a letter explaining how to access the documents on the Company's website from 20 March 2014 or an email with the equivalent information.
5. The annual general meeting will be held at 10.30am on 30 April 2014 at the Company's registered office, Number Three, Leeds City Office Park, Meadow Lane, Leeds, LS11 5BD.

### 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 which can be accessed at [www.ipfin.co.uk/investors](http://www.ipfin.co.uk/investors).

The team will also host a conference call for analysts and investors at 15.30hrs (GMT) today. Dial-in details for this call can be obtained from Gordon Simpson at RLM Finsbury on +44 (0) 20 7251 3801 or at [IPF@RLMFinsbury.com](mailto:IPF@RLMFinsbury.com).

A copy of this statement can be found on the Company's website – [www.ipfin.co.uk](http://www.ipfin.co.uk).