Full-year Financial Report for the year ended 31 December 2015

CONTENTS PAGE

International Personal Finance plc
Full-year Financial Report for the year ended 31 December 2015

Key highlights

- **Robust financial performance despite regulatory challenges in Europe**
  - Strong underlying growth in profit before tax and exceptional items of 10% (£12.6M) before additional investment of £2.8M in IPF Digital and negative FX impact of £17.2M
  - Group profit before tax and exceptional items of £116.1M
  - 13% increase in credit issued and 7% growth in customer numbers delivered revenue growth of 4%
  - Good credit quality across the Group - impairment as a percentage of revenue 25.7%

- **Home credit – significant progress in Mexico; responding to market conditions in Europe**
  - Mexico delivered a strong performance and exceeded profit per customer target
  - Stable performance in most European markets with an improving trend
  - New product structure to be introduced in Poland. Decision to run-off Slovakia following previously announced new rate cap legislation leading to exceptional cost of wind down of £18.6M

- **Strong growth in IPF Digital and significant market opportunity**
  - 34% growth in credit issued and 46% increase in customers to 134,000
  - Good progress made expanding in Poland and Australia; first loans served in Spain

- **Strategy evolved to meet changing consumer and market environment**

- **Robust funding position and further returns to shareholders**
  - £133M of headroom on bank facilities
  - Equity to receivables of 40.8% in line with revised target of around 40%
  - Proposed final dividend held at 7.8 pence per share

Group key statistics	FY 2014	**FY 2015**	YOY change at CER
Customers (000s)	2,640	**2,813**	6.6%
Credit issued (£M)	1,022.0	**1,043.0**	13.2%
Revenue (£M)	783.2	**735.4**	4.1%
Impairment % revenue	28.1%	**25.7%**	2.4 ppts
Cost-income ratio	38.8%	**41.4%**	(2.6) ppts
PBT* (£M)	123.5	**116.1**	
Statutory PBT** (£M)	100.2	**100.2**	
EPS* (pence)	38.0	**37.1**	

* Before exceptional items. ** See page 16 for details on exceptional items

Chief Executive Officer, Gerard Ryan, commented:
“We delivered a robust financial performance in 2015, despite a number of significant regulatory matters impacting the business. It was an excellent year for IPF Digital and Mexico and we intend to increase our investment and accelerate expansion plans in these businesses. Our European home credit businesses, with the exception of the Czech-Slovakia market, increased underlying profit growth in challenging trading conditions. New legislation in Poland and Slovakia will impact our profitability materially in 2016 and beyond, and we expect regulatory headwinds to continue. We are, nevertheless, committed to delivering sustainable returns to our shareholders and have evolved our strategy to reflect the changing market environment in order to underpin this commitment.”

Market update

The macroeconomic environment in 2015 was broadly positive in contrast to the recent volatility in financial markets caused by concerns over slower economic growth. Demand for small-sum, short-term credit from low to middle income consumers remained consistently strong across our markets. This resulted in more credit operators competing for business, particularly in Europe.

Our target segment of customers continues to be those who are relatively underserved by mainstream financial services providers, either because they may have a limited or poor credit history or a lower, fluctuating income.

With the development of mobile and digital technology, the consumer credit loan environment is changing. In Europe, technological advancements have impacted the competitive landscape and the rapid growth in online providers of digital loans is providing greater brand, product and price choice for consumers, including a segment of customers who would previously have come to us for home credit.

In contrast, the Mexican market features a number of long-established consumer loans providers and, although we are seeing the early emergence of digital credit providers, the competitive environment in this market remains relatively stable.

Regulatory update

Regulators have become increasingly active in a number of areas, including consumer finance, conducting more reviews and introducing new legislation and regulations. In contrast to the formal legislative processes that are normally followed, some of this new legislation has been adopted with limited levels of consultation at the last stage of the parliamentary process. We believe that this approach may continue in 2016 and in response to the more overtly political nature of some of the most recent changes, we have further increased the level of monitoring of regulatory matters, strengthened our anticipation and engagement capabilities in-market and renewed our association and sector reputation strategy.

We operate within a rate cap environment in most of our markets with the exception of the Czech Republic, Romania, Latvia and Mexico. We expect the trend for rate cap discussions to continue in Europe. However, there are no pricing-related regulatory proposals currently being enacted, nor is there any proposal for a similar legislative development in Mexico.

<u>Polish pricing cap</u>

New legislation in Poland which introduces a cap on all non-interest costs associated with the granting of consumer credit, together with certain other restrictions, will become effective on 11 March 2016. As previously announced, we estimate that applying the new pricing regime to our loan portfolio written in the year to 30 June 2015 (but without other mitigating actions being taken) would have reduced the profit of our Polish business by approximately £30M. We have finalised our new product structure and, at this stage, we expect our mitigating strategies could offset up to half the negative financial impact.

The final impact on profitability, however, will be determined by customer behaviour, the response of competitors and wider market dynamics, none of which may be determined with any certainty at this stage and so there can be no assurance that the final impact will be in this range. We anticipate that the impact on profitability will affect the results of the Polish business progressively during 2016 and 2017 but the business will remain of high quality and deliver ROE above the average for the Group.

The court process for our appeal against the December 2013 findings of UOKiK, the Polish Office of Consumer Protection and Competition, commenced in November 2015 and we will update the market on its progress in due course.

Slovakia

On 23 December 2015, an amendment to the Civil Code in Slovakia came into law which prohibits separate contracts for 'ancillary' services linked to the provision of consumer loans. Our home delivery and collection service comes under this category and so, were we to continue issuing new loans, all such fees would need to be included within one loan agreement and be subject to prevailing price caps. Consequently, all costs associated with a loan, whether mandatory or not, must fall within the existing remuneration cap which is currently approximately 27% per annum of issue value for loans greater than one year and 37% for shorter durations.

Following a detailed review of the expected impact of the new legislation on our business in Slovakia, we suspended issuing new loans in December and have since decided to run off our agent-delivered home credit operations in the market. As a result of the run off there is an exceptional charge in our 2015 results, £18.6M of which relates to Slovakia. Further details are set out on page 16. We anticipate there being a further loss in 2016 as we collect out the book and close that business. We are continuing to review alternative business models while we collect out the portfolio.

Strategy for Growth update

We launched our Strategy for Growth in 2012 with the vision to transform our business from a single product, single distribution channel provider of small-sum consumer credit to a multiple product, brand and distribution channel operator. We also sought to expand our geographic footprint and invest in technology to improve the experience for our customers and drive further efficiencies within the business.

We have made good progress on our Strategy for Growth since 2012 delivering a 400,000 (16%) increase in customer numbers to 2.8M and underlying profit growth of £53M (before new business investment of £14M and FX impacts of £18M). The key achievements under the four pillars of our Strategy for Growth are:

Expand our footprint

- Significantly expanded our geographic footprint from 6 to 13 countries.

Customer engagement

- Broadened our home credit product portfolio to create a more appealing and competitive offering.
- Responded to the growing digitisation of the consumer credit market with the creation of IPF Digital.
- Developed a Provident-branded digital alternative to our agent model to maximise the strong Provident brand awareness and customer traffic to our websites that our home credit businesses enjoy.

Sales culture

- Launched a real-time service on our customer-facing websites to give consumers an instant in-principle credit decision.
- Implemented a new sales and service organisational structure in Hungary to improve the customer journey and drive cost-efficiencies.

Effective execution

- Introduced a global credit decision system utilising credit bureaux data to improve lending decisions.
- Introduced tablet technology for every Development Manager across the Group.
- Commenced a pilot of agent handheld technology.

Evolved strategy

We are operating in a dynamic environment and have evolved our strategy to maximise the opportunity in an increasingly digital world, and one in which regulation and competition have intensified. We have refocused the four pillars of our strategy and redefined the positioning of our businesses so as to deliver sustainable growth into the future, to enhance our profitability and to make efficient use of capital.

We have now segmented our operations to reflect the fact that our businesses are at different stages of maturity. Our established home credit businesses are highly cash and capital generative and we expect them to continue to provide attractive returns. We will invest this cash flow in our high growth businesses and provide progressive returns to our shareholders.

Our segments are:

1. ***Established businesses - home credit***
   Poland-Lithuania, Czech Republic and Hungary
   We will focus on delivering efficiency and maximising the value generated from these businesses while attracting customers through channel development, including digital offerings. The cash and capital generated will be reinvested in developing our growth businesses and supporting returns to shareholders.

2. ***Growth businesses – home credit***
   Mexico and Romania-Bulgaria
   We intend to accelerate top-line growth in Mexico through geographic expansion and broadening our product offering. We will deepen our coverage in Romania-Bulgaria to reach more customers and bring these businesses to maturity.

3. ***Growth businesses – IPF digital***
   We will focus our investment in driving profitable top-line growth in IPF Digital where there is growing demand within our target segment of consumers for digital loans. We will continue to leverage our businesses in Finland and the Baltics, and develop digital opportunities in our new markets in Poland, Australia and Spain. Together, these new markets represent an opportunity in terms of population reach of more than 100 million. We are also actively considering commencing a digital business in Mexico.

In markets where we operate both home credit and digital business models, we will continue to develop the flow of referrals between the two models to optimise potential new business and acceptance rates.

With this segmentation in place, the four pillars of our Strategy for Growth remain but the elements of each have evolved to maximise growth and deliver further returns to shareholders.

Our refocused Strategy for Growth

Expanding our footprint

Build on considerable digital opportunity in Poland, Australia and Spain; considering commencing a digital business in Mexico. Expand infrastructure in Mexico and continue to review opportunities to open new home credit businesses. Continue search for suitable acquisitions.

Improving customer engagement

Having expanded our product set considerably in the past three years, focus on adding digital channels to make our customer journey as easy as possible.

Developing a sales culture

Further develop the relationship between our home credit and digital businesses, and strengthen our sales and service organisational capability.

Effective execution

Use technology to improve our customer service, increase our efficiency and reduce our cost base.

Group performance overview

We delivered a robust financial performance with strong underlying growth in profit before exceptional items of 10% (£12.6M). This was offset by £2.8M of incremental investment costs in IPF Digital and £17.2M from weaker FX rates.

	FY 2014 reported profit £M	Underlying profit movement £M	New business costs £M	Weaker FX rates £M	**FY 2015 reported profit £M**
Home credit	140.2	12.0	-	(17.3)	**134.9**
IPF Digital	(1.5)	-	(2.8)	0.1	**(4.2)**
Central costs	(15.2)	0.6	-	-	**(14.6)**
Profit before taxation and exceptional items	123.5	12.6	(2.8)	(17.2)	**116.1**
Exceptional items	(23.3)				**(15.9)**
Profit before taxation	100.2				**100.2**

Group profit before tax and exceptional items for the year was £116.1M and statutory profit before taxation was £100.2M. More details on the exceptional items are set out on page 16.

Home credit

Our home credit business delivered a profit before tax and exceptional items of £134.9M in 2015. Driven largely by lower impairment and good cost control, it generated underlying growth in profit before tax and exceptional items of £12.0M (9%) before absorbing £17.3M as a result of weaker FX rates.

The results for our home credit division are shown in the table below:

	2014 £M	**2015 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	2,640	**2,679**	39	1.5	1.5
Credit issued	1,021.9	**956.3**	(65.6)	(6.4)	3.8
Average net receivables	760.5	**720.8**	(39.7)	(5.2)	5.1
Revenue	783.2	**704.3**	(78.9)	(10.1)	(0.3)
Impairment	(220.0)	**(180.0)**	40.0	18.2	9.3
Net revenue	563.2	**524.3**	(38.9)	(6.9)	3.2
Finance costs	(45.1)	**(38.8)**	6.3	14.0	4.9
Agents' commission	(90.8)	**(84.6)**	6.2	6.8	(3.4)
Other costs	(287.1)	**(266.0)**	21.1	7.3	(1.4)
Profit before taxation and exceptional items	140.2	**134.9**	(5.3)	(3.8)	

This performance was underpinned by an excellent result from our Mexican business where we increased profit from £16.5M to £21.9M. In addition, all our European home credit markets, with the exception of the Czech Republic and Slovakia, achieved underlying profit growth before the impact of adverse FX movements.

Through refining our marketing campaigns with clearer call to action, broadening the product range and launching product-led promotions, we successfully reversed the slowdown we saw in our European home credit operations in Q4, 2014. These and other changes resulted in a progressive improvement in credit issued growth in Europe throughout the year as set out in the following table.

Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
(10%)	(4%)	(2%)	2%	3%

This acceleration in growth in the second half of the year was led by a strong performance in Southern Europe and good growth in Poland-Lithuania. In contrast credit issued continued to contract in the Czech Republic and Slovakia with a particularly weak performance in Q4, partially driven by the decision to suspend new lending in Slovakia in the run up to Christmas.

Overall, we delivered a 1% increase in customer numbers to 2,679,000 and 4% growth in credit issued. Average net receivables grew by 5% while revenue remained flat due to contracting revenue yields that are a consequence of our customer retention strategy to serve more customers with longer-term and preferentially priced loans. Credit quality remains good as a result of well-managed credit decisioning processes and robust collections. Impairment as a percentage of revenue improved by 2.5 ppts to 25.6%, due to these factors together with a net contribution of £11.1M (2014: £8.2M) from debt sales in a number of our markets and some strengthening of our reserves.

Finance costs reduced by 5% reflecting the lower cost of funding following the refinancing of our core Eurobond in 2014, partially offset by an increase in borrowings to fund the share buyback programme. Costs continued to be managed tightly with cost increases held at 1% compared to credit issued growth of 4%. The cost-income ratio increased by 1.1ppts to 37.8% and is at a similar level to the half year.

Segmental review

The following table shows the performance of each of our home credit markets highlighting the impact of weaker FX rates against sterling to provide a better understanding of underlying performance:

	FY 2014 reported profit £M	Underlying profit movement £M	Weaker FX rates £M	**FY2015 reported profit £M**
Poland-Lithuania	72.5	5.0	(8.5)	**69.0**
Czech-Slovakia	24.3	(2.2)	(2.9)	**19.2**
Southern Europe	28.9	1.6	(3.9)	**26.6**
Mexico	16.5	7.6	(2.2)	**21.9**
Spain	(2.0)	-	0.2	**(1.8)**
Profit before taxation and exceptional items	140.2	12.0	(17.3)	**134.9**

Poland and Lithuania

Poland and Lithuania delivered a solid profit performance with underlying profit growth of £5.0M (7%) offset by £8.5M of adverse FX movements. Reported profit before tax was £69.0M.

	2014 £M	**2015 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	848	**832**	(16)	(1.9)	(1.9)
Credit issued	372.6	**353.5**	(19.1)	(5.1)	5.2
Average net receivables	299.4	**287.5**	(11.9)	(4.0)	6.5
Revenue	308.8	**267.4**	(41.4)	(13.4)	(4.0)
Impairment	(84.2)	**(61.3)**	22.9	27.2	19.2
Net revenue	224.6	**206.1**	(18.5)	(8.2)	1.8
Finance costs	(18.7)	**(15.8)**	2.9	15.5	6.5
Agents' commission	(33.8)	**(29.8)**	4.0	11.8	2.3
Other costs	(99.6)	**(91.5)**	8.1	8.1	(0.4)
Profit before taxation	72.5	**69.0**	(3.5)	(4.8)	

Increasing competition from digital and payday lenders continued to dominate the trading environment in Poland and, consequently, this limited customer growth opportunities for our Polish business. As a result, customer numbers in Poland-Lithuania contracted by 2% year-on-year to 832,000.

Our new product offerings, including longer terms and a new monthly repaid product, supported a 5% increase in credit issued. Revenue reduced by 4% reflecting contracting yields driven by a tightening of the interest rate cap in Poland and the impact of more customers taking longer-term loans and preferentially-priced loans.

Our collections performance improved year-on-year and together with £9.3M profit (2014: £5.5M) on the sale of Polish non-performing receivables this resulted in a 4.4 ppt improvement in impairment as a percentage of revenue to 22.9%. As highlighted in our Q3 2015 trading update, now that Polish debt sales are established on a flow basis and our old written-off books have been sold, we expect to generate around £5M less profit from debt sales in 2016. We continued to control costs tightly with the increase being held at 0.4 ppts but the contraction in revenue resulted in a 1.9% increase in the cost-income ratio to 34.2%.

A new bank tax in Poland was enacted in January 2016 and its scope includes our Polish home credit operation. The law will come into effect from February 2016 and is expected to result in an annual payment of approximately £2.4M which, as an asset levy, will be charged against profit before tax in accordance with accounting standards.

As mentioned in the regulatory update, our new product structure will be implemented from 11 March 2016 when the new non-interest cost of credit legislation becomes effective. We will also continue our pilot of a Provident-branded digital offering leveraging the strength of our home credit brand. As part of our evolved strategy, we have commenced a process to reduce structural costs, facilitated by our new sales and service operational structure. In Lithuania our focus will be on ensuring that we are fully compliant with the latest regulation on debt-to-income for consumer lending in addition to optimising the flow of referral business between our IPF Digital and home credit operations.

Czech Republic and Slovakia

Our business in the Czech Republic and Slovakia faced an extremely challenging year in 2015 and competition from digital and copycat lenders intensified during the period. In December, we stopped issuing new loans in Slovakia and we have since decided to run off our agent-delivered home credit operation following the introduction of the new rate cap legislation. The business reported a profit before exceptional items of £19.2M (the Czech Republic £14.7M; Slovakia £4.5M) which reflects a £2.2M reduction in underlying profit and a £2.9M impact from weaker FX rates.

	2014 £M	**2015 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	360	**317**	(43)	(11.9)	(11.9)
Credit issued	195.8	**150.4**	(45.4)	(23.2)	(15.2)
Average net receivables	158.8	**130.5**	(28.3)	(17.8)	(9.3)
Revenue	136.9	**106.5**	(30.4)	(22.2)	(14.1)
Impairment	(42.0)	**(27.7)**	14.3	34.0	27.1
Net revenue	94.9	**78.8**	(16.1)	(17.0)	(8.4)
Finance costs	(8.1)	**(6.4)**	1.7	21.0	12.3
Agents' commission	(13.8)	**(10.7)**	3.1	22.5	13.7
Other costs	(48.7)	**(42.5)**	6.2	12.7	5.3
Profit before taxation and exceptional items	24.3	**19.2**	(5.1)	(21.0)	

The competitive nature of these markets resulted in a 12% contraction in customer numbers and 15% reduction in credit issued. This was exacerbated by the impact of our decision to suspend lending in Slovakia in the run up to Christmas. Average net receivables declined by 9% due to the lower levels of credit issued which resulted in a reduction in revenue of 14%.

Credit quality was stable which, together with sales of non-performing receivables, resulted in a 4.7 ppt improvement in impairment as a percentage of revenue to 26.0%. Other costs were managed tightly and reduced by 5% year-on-year; however, this was less than the contraction in revenue and resulted in the cost-income ratio increasing by 4.3 ppts to 39.9%.

In the Czech Republic, we expect to improve customer retention in 2016 by driving higher sales of our monthly product and developing our Money Transfer offer. We will also implement our new sales and service organisational structure to drive lower cost and greater efficiency. Our key focus in Slovakia is to collect out the receivables book efficiently. We have redesigned the incentive schemes for our employees and agents and will operate a dynamic collections plan in order to maximise recoveries from the loan portfolio. We expect the Slovak operation to report a loss of around £5M to £7M in 2016, which relates to the cost of collecting out our portfolio and closing the business. This will not recur in 2017 and beyond. As previously noted, we are continuing to consider alternative business models in Slovakia.

Southern Europe

Growth in our Southern Europe businesses accelerated in the second half of the year which, together with a good collections performance, helped to deliver underlying profit growth of £1.6M offset by a £3.9M adverse FX impact. Reported profit was £26.6M.

	2014 £M	**2015 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	646	**679**	33	5.1	5.1
Credit issued	245.7	**227.8**	(17.9)	(7.3)	3.3
Average net receivables	176.9	**163.4**	(13.5)	(7.6)	2.8
Revenue	177.2	**155.1**	(22.1)	(12.5)	(2.6)
Impairment	(44.2)	**(35.0)**	9.2	20.8	12.1
Net revenue	133.0	**120.1**	(12.9)	(9.7)	0.5
Finance costs	(11.1)	**(9.5)**	1.6	14.4	5.0
Agents' commission	(21.9)	**(20.6)**	1.3	5.9	(4.6)
Other costs	(71.1)	**(63.4)**	7.7	10.8	2.2
Profit before taxation	28.9	**26.6**	(2.3)	(8.0)	

This performance was driven by a strong return to growth in Romania based on improved credit quality and broader product offerings. Our new business in Bulgaria also delivered good growth as we increased loan sizes and attracted more new customers. In Hungary, the introduction of payment-to-income legislation at the start of 2015 resulted in a contraction in credit issued in the first half of the year as we retrained our teams and changed our processes to operate under the new law. This transition is now complete and together with the launch of our monthly product and introduction of our new sales and service organisational structure, Hungary returned to growth in the second half of the year.

These factors delivered a 5% increase in customer numbers to 679,000 and credit issued growth of 3%, a significant and important turnaround from the 8% reduction noted at the half year. Average net receivables grew by 3% while revenue decreased by 3% as a result of a shift in the mix of the portfolio towards longer-term loans and preferentially-priced loans.

Credit quality remains good and, together with a robust collections performance and the benefit of ongoing debt sales, impairment as a percentage of revenue improved by 2.3 ppts to 22.6%. Costs were controlled tightly and were 2% lower than 2014.

To comply with new legislation, our agents in Romania were made employees and this change is expected to result in an annual cost increase of £3M, and around half of this increase was incurred in 2015. Our experience in Hungary, where agents have been employed since 2006, indicates there are opportunities to mitigate a proportion of these additional costs.

Romania-Bulgaria is one of our growth markets and we will focus on continuing to deliver strong customer growth. In Hungary, one of our established businesses, we will work to achieve greater efficiencies through tight cost management, sales and service organisational design benefits and the progressive rollout of agent handheld technology.

Mexico

At the end of 2012 we set out a strategy to demonstrate that we could deliver very attractive returns from our home credit business in Mexico. Our strategy to deliver these returns focused on increasing revenue per customer while maintaining acceptable credit losses and reducing the cost-income ratio. We also set a profit per customer target of MXN$660 and sought a customer base of 900,000. During the last three years we have delivered a 25% increase in customer numbers to 851,000, grown credit issued by 76% and increased profit per customer by 135% to MX$665. This has resulted in an increase in profit of 184% to a record £21.9M in 2015 in constant currency terms.

For the year as a whole, Mexico delivered another excellent performance and was a key driver of credit issued and profit growth for the Group in 2015. We delivered strong underlying profit growth of £7.6M before absorbing £2.2M as a result of weaker FX rates.

	2014 £M	**2015 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	786	**851**	65	8.3	8.3
Credit issued	207.8	**224.6**	16.8	8.1	19.8
Average net receivables	125.4	**139.4**	14.0	11.2	23.0
Revenue	160.3	**175.3**	15.0	9.4	21.1
Impairment	(49.6)	**(56.0)**	(6.4)	(12.9)	(25.0)
Net revenue	110.7	**119.3**	8.6	7.8	19.4
Finance costs	(7.2)	**(7.1)**	0.1	1.4	(7.6)
Agents' commission	(21.3)	**(23.5)**	(2.2)	(10.3)	(22.4)
Other costs	(65.7)	**(66.8)**	(1.1)	(1.7)	(11.7)
Profit before taxation	16.5	**21.9**	5.4	32.7	

Our focus on growth through selective credit relaxations and geographic expansion helped deliver a 20% increase in credit issued which, in turn, drove a strong increase in revenue of 21%. While our customer count is lower than our target of 900,000, we increased customer numbers by 8% to 851,000.

Impairment as a percentage of revenue was broadly stable at 31.9% and we are comfortable with impairment at this level given the mix of new and repeat lending in this strongly growing market. We continued to invest in geographical expansion by opening two additional branches during 2015 whilst maintaining good cost control. As a result, we delivered a 2.9 ppt year-on-year improvement in the cost-income ratio which at 38.1% is below the 40% level for the first time.

We continue to see significant growth potential in Mexico. Having demonstrated that the business model can deliver good returns, we now intend to build on the solid foundations and deliver further strong top-line growth in 2016 and beyond. This will be achieved through an accelerated geographic expansion plan which will see a dedicated team of experienced managers opening approximately 10 new branches in 2016. In addition, we plan to broaden our product offer to include micro business loans and increase acquisition channels through strategic alliances.

IPF Digital

Growing our digital offering is one of our major strategic opportunities and we made excellent progress in 2015. MCB Finance was acquired in February 2015 and integrated into the Group in the first half of the year to create IPF Digital. We also made significant progress with our expansion plans and completed the first twelve months of trading of our hapiloans brand in Poland, extended our pilot operation in Australia and delivered our first loans to customers in Spain at the end of 2015.

The performance data detailed in the table below comprises MCB Finance since the acquisition and the full year result for hapiloans.

	2014 £M	**2015 £M**
Customer numbers (000s)	-	**134**
Credit issued	0.1	**86.7**
Average net receivables	0.1	**43.2**
Revenue	-	**31.1**
Impairment	-	**(8.9)**
Net revenue	-	**22.2**
Finance costs	-	**(3.1)**
Other costs	(1.5)	**(23.3)**
Loss before taxation and exceptional items	(1.5)	**(4.2)**

On a proforma basis, the business delivered good customer growth of 46% to 134,000 and increased credit issued by 34% to £86.7M. The growth in credit issued resulted in proforma growth in revenue of 28% to £31.1M. Impairment as a percentage of revenue was 28.6% with credit quality stable despite the strong growth in credit issued.

IPF Digital comprises digital lending operations in seven markets, all at various stages of development. The profitability of these businesses is best segmented as follows:

	2014 £M	**2015 £M**
Established markets - Finland and the Baltics	-	**8.1**
New markets - Poland, Australia and Spain	(1.5)	**(6.1)**
Head office costs	-	**(6.2)**
IPF Digital	(1.5)	**(4.2)**

Established markets

Our established operations in Finland and the Baltics have been trading for eight years and currently account for over 90% of the division's customers, credit issued, receivables and revenue. At the end of 2015 we had 122,000 customers in these markets representing a penetration rate of 1% against the total population of around 12M.

	2015 £M
Customer numbers (000s)	**122**
Credit issued	**78.7**
Average net receivables	**40.4**
Revenue	**28.7**
Impairment	**(6.9)**
Net revenue	**21.8**
Finance costs	**(2.6)**
Other costs	**(11.1)**
Profit before taxation and exceptional items	**8.1**

Proforma customer growth and credit issued growth in these markets was 35% and 29% in 2015. Impairment as a percentage of revenue was slightly below our target range at 24.0%. Contribution per average customer was around £80 in 2015 and the businesses delivered a return on equity (before head office costs) of around 35%. The 2015 P&L structure in these markets is illustrative of the margins we would expect new markets to deliver when they become established.

New markets

Our current new markets have a combined population of over 100 million and, therefore, represent a significant growth opportunity for IPF Digital.

In 2015, we invested £6M in losses in these markets. A typical new market is expected to require investment in losses for around three years before it moves up through its J-curve into monthly profitability, albeit this timing can be influenced by the regulatory environment and scale of the opportunity. The cumulative losses up to this breakeven point will vary from market to market but we expect them to be around £8M to £10M per country.

Head office

We increased the scale of our IPF Digital head office operation in 2015 to ensure we have the right resource in place to execute our expansion plan in a well-controlled and effective manner.

Looking ahead, we continue to see growth opportunities for our established markets and expect to deliver good rates of customer and credit issued growth through the rollout of our revolving credit line product across all markets together with the optimisation of pricing and credit dynamics. We will continue to grow our new digital businesses in Poland, Australia and Spain, and we are actively considering commencing a digital business in Mexico. We will underpin our planned step-change in scale and increase in growth by continuing to invest in our technology platform, head office functional capabilities including credit decisioning, marketing and customer contact centres, and enhancing the control environment. We expect to increase total investment in IPF Digital to around £7M to £9M in 2016.

Exceptional item

The income statement includes an exceptional loss of £22.4M which comprises a pre-tax exceptional loss of £15.9M and an exceptional tax charge of £6.5M.

The exceptional loss includes £18.6M in respect of the change in Slovak rate cap legislation in December 2015, following which a decision was made to wind down our home credit operation in Slovakia. It comprises an £11.2M charge against profit before tax and the write off of a deferred tax asset of £7.4M that we no longer expect to be realised. The pre-tax loss comprises a provision taken against the carrying value of the receivables book based on our best estimate of the value and timing of collections of £10.3M and £0.9M from the write down of fixed assets.

We also reported an exceptional cost of £4.7M in our half year results, which comprised £2.5M in respect of MCB Finance integration costs (principally a write-down of IT assets) and £2.2M (principally contractual obligations and IT write-offs) relating to the closure costs of our home credit business in Spain. There is a corresponding tax credit of £0.9M relating to these two items.

In 2014, profit before taxation included an exceptional loss of £23.3M. This comprised £22.6M incurred on the buyback of €190.2M (£152.5M at 30 June 2014) of existing 11.5% Eurobonds due 2015, and £0.7M of unamortised arrangement fees incurred following the refinancing of £100M of bank facilities due to mature in early 2015. The loss on the buyback arose because the existing Eurobonds were bought back at a premium to par value.

Taxation

The taxation charge for the year on statutory pre-tax profit was £37.7M (2014: £28.4M) which equates to an effective rate of 37.6% (2014: 28.3%) and includes the impact of the Slovakian deferred tax write off. The underlying tax charge was £31.2M which represents an effective tax rate of 26.9% (2014: 27.0%). The effective tax rate is expected to remain broadly at this level in 2016.

Funding and balance sheet

We have a strong funding position with a balanced debt portfolio including a range of bonds at competitive cost across a number of currencies, wholesale and retail, with varying maturities including significant long-term funding (£430M 2020/21); and a range of bank facilities from a core group of banks. At December 2015, we had headroom on bank facilities of £133M.

Our target equity to receivables capital ratio is 40% and we completed a £50M share buyback in the second half of 2015 aimed at moving the ratio towards this level. At December 2015 the capital ratio was 40.8% after accounting for exceptional costs of £22.4M including £18.6M relating to Slovakia.

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 (2014: 12.0 pence per share), an increase of 3.3% for the year. The full year dividend of 12.4 pence per share represents a total payment equivalent to approximately 33% of pre-exceptional post-tax earnings for the full year 2015 which is slightly below our target pay-out rate of 35%. The final dividend will be paid on 13 May 2016 to shareholders on the register at the close of business on 8 April 2016. The shares will be marked ex-dividend on 7 April 2016.

Outlook

We expect the competitive and regulatory environment to remain challenging and these factors will be a major focus for us in 2016. The regulatory changes announced in 2015 will impact profitability in Poland in 2016 and beyond, and have had a significant impact on our business model in Slovakia. We expect these factors, together with costs associated with employing agents in Romania, the new bank tax in Poland and lower profit from debt sales this year, will reduce Group profit before tax in 2016.

Despite these headwinds, we see major opportunities to optimise the performance of our established home credit businesses and invest in the significant opportunities available in our growth markets. We will focus on delivering efficiency and maximising the value generated from our established home credit businesses to support the development of our growth businesses where investment will be focused on driving top-line growth, particularly in Mexico.

We are committed to delivering sustainable returns to our shareholders and have evolved our strategy to reflect the changing market environment in order to underpin this commitment.

Note

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 2015 in order to present the underlying performance variance.

International Personal Finance plc

Consolidated income statement for the year ended 31 December 2015

	Notes	**2015 Pre-exceptional items £M**	**2015 Exceptional items (note 8) £M**	**2015 £M**
Revenue	4	**735.4**	**-**	**735.4**
Impairment	4	**(188.9)**	**(10.3)**	**(199.2)**
Revenue less impairment		**546.5**	**(10.3)**	**536.2**
Finance costs		**(41.6)**	**-**	**(41.6)**
Other operating costs		**(116.8)**	**-**	**(116.8)**
Administrative expenses		**(272.0)**	**(5.6)**	**(277.6)**
Total costs		**(430.4)**	**(5.6)**	**(436.0)**
Profit before taxation	4	**116.1**	**(15.9)**	**100.2**
Tax (expense)/income – UK		**(2.1)**	**0.6**	**(1.5)**
Tax expense – overseas		**(29.1)**	**(7.1)**	**(36.2)**
Total tax expense	5	**(31.2)**	**(6.5)**	**(37.7)**
Profit after taxation attributable to owners of the Company		**84.9**	**(22.4)**	**62.5**

Consolidated income statement for the year ended 31 December 2014

	Notes	2014 Pre-exceptional items £M	2014 Exceptional items (note 8) £M	2014 £M
Revenue	4	783.2	-	783.2
Impairment	4	(220.0)	-	(220.0)
Revenue less impairment		563.2	-	563.2
Finance costs		(45.3)	(23.3)	(68.6)
Other operating costs		(120.0)	-	(120.0)
Administrative expenses		(274.4)	-	(274.4)
Total costs		(439.7)	(23.3)	(463.0)
Profit before taxation	4	123.5	(23.3)	100.2
Tax (expense)/income – UK		(2.4)	4.9	2.5
Tax expense – overseas		(30.9)	-	(30.9)
Total tax expense	5	(33.3)	4.9	(28.4)
Profit after taxation attributable to owners of the Company		90.2	(18.4)	71.8

The profit for the period is from continuing operations.

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

Earnings per share - statutory

	Notes	**2015 pence**	2014 pence
Basic	6	**27.3**	30.2
Diluted	6	**26.6**	29.4

Earnings per share – adjusted for exceptional items

	Notes	**2015 pence**	2014 pence
Basic	6	**37.1**	38.0

Statement of comprehensive income for the year ended 31 December

	2015 £M	2014 £M
Profit after taxation attributable to owners of the Company	**62.5**	71.8
Other comprehensive (expense)/income		
Items that may subsequently be reclassified to income statement:		
Exchange losses on foreign currency translations	**(23.9)**	(42.3)
Net fair value (losses)/gains – cash flow hedges	**(1.0)**	1.1
Tax credit/(charge) on items that may be reclassified	**0.3**	(0.2)
Items that will not subsequently be reclassified to income statement:		
Actuarial gains/(losses) on retirement benefit obligation	**0.7**	(1.5)
Tax (charge)/credit on items that will not be reclassified	**(0.1)**	0.3
Other comprehensive expense net of taxation	**(24.0)**	(42.6)
Total comprehensive income for the year attributable to owners of the Company	**38.5**	29.2

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

Balance sheet as at 31 December

	Notes	**2015 £M**	2014 £M
Assets			
Non-current assets			
Goodwill	9	**20.1**	-
Intangible assets	10	**25.6**	10.1
Property, plant and equipment	11	**24.3**	28.2
Deferred tax assets	12	**82.2**	81.1
		152.2	119.4
Current assets			
Amounts receivable from customers			
- due within one year		**718.9**	723.9
- due in more than one year		**83.5**	36.6
	13	**802.4**	760.5
Derivative financial instruments	15	**11.5**	5.8
Cash and cash equivalents		**39.9**	68.8
Other receivables		**14.8**	14.1
Current tax assets		**1.3**	1.6
		869.9	850.8
Total assets		**1,022.1**	970.2
Liabilities			
Current liabilities			
Borrowings	14	**(22.3)**	(73.7)
Derivative financial instruments	15	**(2.8)**	(2.7)
Trade and other payables		**(95.5)**	(95.3)
Current tax liabilities		**(30.9)**	(22.9)
		(151.5)	(194.6)
Non-current liabilities			
Retirement benefit obligation	16	**(0.2)**	(2.0)
Deferred tax liabilities	12	**(8.6)**	(7.4)
Borrowings	14	**(534.6)**	(404.6)
		(543.4)	(414.0)
Total liabilities		**(694.9)**	(608.6)
Net assets		**327.2**	361.6
Equity attributable to owners of the Company			
Called-up share capital		**23.4**	24.0
Other reserve		**(22.5)**	(22.5)
Foreign exchange reserve		**(56.4)**	(32.5)
Hedging reserve		**(0.3)**	0.4
Own shares		**(58.9)**	(43.1)
Capital redemption reserve		**2.3**	1.7
Retained earnings		**439.6**	433.6
Total equity		**327.2**	361.6

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

Statement of changes in equity

	Called-up share capital	Other reserve	Other reserves *	Retained earnings	Total equity
	£M	£M	£M	£M	£M
At 1 January 2014	24.0	(22.5)	8.0	384.4	393.9
Comprehensive income:					
Profit after taxation for the year	-	-	-	71.8	71.8
Other comprehensive (expense)/income:					
Exchange losses on foreign currency translation	-	-	(42.3)	-	(42.3)
Net fair value gains – cash flow hedges	-	-	1.1	-	1.1
Actuarial losses on retirement benefit obligation	-	-	-	(1.5)	(1.5)
Tax (charge)/credit on other comprehensive income	-	-	(0.2)	0.3	0.1
Total other comprehensive expense	-	-	(41.4)	(1.2)	(42.6)
Total comprehensive (expense)/income for the year	-	-	(41.4)	70.6	29.2
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	7.5	7.5
Deferred tax on share-based payment transactions	-	-	-	(0.7)	(0.7)
Own shares acquired	-	-	(45.1)	(0.3)	(45.4)
Shares granted from treasury and employee trust	-	-	5.0	(5.0)	-
Dividends paid to Company shareholders	-	-	-	(22.9)	(22.9)
At 31 December 2014	24.0	(22.5)	(73.5)	433.6	361.6
At 1 January 2015	**24.0**	**(22.5)**	**(73.5)**	**433.6**	**361.6**
Comprehensive income:					
Profit after taxation for the year	**-**	**-**	**-**	**62.5**	**62.5**
Other comprehensive (expense)/income:					
Exchange losses on foreign currency translation	**-**	**-**	**(23.9)**	**-**	**(23.9)**
Net fair value losses – cash flow hedges	**-**	**-**	**(1.0)**	**-**	**(1.0)**
Actuarial gains on retirement benefit obligation	**-**	**-**	**-**	**0.7**	**0.7**
Tax credit/(charge) on other comprehensive income	**-**	**-**	**0.3**	**(0.1)**	**0.2**
Total other comprehensive (expense)/income	**-**	**-**	**(24.6)**	**0.6**	**(24.0)**
Total comprehensive (expense)/income for the year	**-**	**-**	**(24.6)**	**63.1**	**38.5**
Transactions with owners:					
Share-based payment adjustment to reserves	**-**	**-**	**-**	**6.2**	**6.2**
Deferred tax on share-based payment transactions	**-**	**-**	**-**	**(0.3)**	**(0.3)**
Own shares acquired	**(0.6)**	**-**	**(28.3)**	**(21.3)**	**(50.2)**
Shares granted from treasury and employee trust	**-**	**-**	**13.1**	**(13.1)**	**-**
Dividends paid to Company shareholders	**-**	**-**	**-**	**(28.6)**	**(28.6)**
At 31 December 2015	**23.4**	**(22.5)**	**(113.3)**	**439.6**	**327.2**

* 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

	2015 £M	2014 £M
Cash flows from operating activities		
Cash generated from operating activities	**100.3**	121.7
Finance costs paid	**(40.9)**	(43.0)
Income tax paid	**(37.0)**	(44.8)
Net cash generated from operating activities	**22.4**	33.9
Cash flows from investing activities		
Acquisition of subsidiary, net of cash and cash equivalents	**(21.0)**	-
Purchases of property, plant and equipment	**(8.2)**	(11.6)
Proceeds from sale of property, plant and equipment	**0.4**	0.3
Purchases of intangible assets	**(18.9)**	(9.3)
Net cash used in investing activities	**(47.7)**	(20.6)
Net cash (used in)/generated from operating and investing activities	**(25.3)**	13.3
Cash flows from financing activities		
Proceeds from borrowings	**214.9**	289.3
Repayment of borrowings	**(138.2)**	(190.1)
Dividends paid to Company shareholders	**(28.6)**	(22.9)
Acquisition of own shares	**(50.2)**	(45.4)
Cash received on share options exercised	**0.7**	0.9
Net cash (used in)/generated from financing activities	**(1.4)**	31.8
Net (decrease)/increase in cash and cash equivalents	**(26.7)**	45.1
Cash and cash equivalents at beginning of year	**68.8**	24.6
Exchange losses on cash and cash equivalents	**(2.2)**	(0.9)
Cash and cash equivalents at end of year	**39.9**	68.8

Notes to the financial information for the year ended 31 December 2015

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 2015, 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 2014 have been delivered to the Registrar of Companies and those for 2015 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 22 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 2015 which can be found on the Group's website (www.ipfin.co.uk).

The following amendment to standards is mandatory for the first time for the financial year beginning 1 January 2015 but does not have any impact on the Group:

- IFRS 10 (amendment) 'Consolidated financial statements'.

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 replaces IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and will affect the Group's accounting for its financial assets. The mandatory implementation date for this standard is 1 January 2018 however it has not yet been endorsed by the European Union. The Group is in the process of assessing IFRS 9's full impact;
- Amendments to IFRS 10 and IAS 28 'Sale or contribution of assets between an investor and its associate or joint venture';
- IFRS 11 (amendment) 'Accounting for acquisitions of interests in joint operations';
- IFRS 14 'Regulatory deferral accounts';
- IFRS 15 'Revenue from contracts with customers';
- Amendments to IAS 16 and IAS 38 'Clarification of acceptable methods of depreciation and amortisation';
- Amendments to IAS 16 and IAS 41 'Agriculture: bearer plants';
- IAS 27 'Equity method in separate Financial Statements';
- Annual improvements to IFRSs: 2012-2014 cycle;
- Amendments to IAS12 'Recognition of deferred tax assets for unrealised losses';
- IFRS 16 'Leases'; and
- Amendments to IAS1 'Disclosure initiative'.

Notes to the financial information for the year ended 31 December 2015 (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 2015, 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 improved to ensure the business operates within Board-approved levels of risk appetite. The effectiveness of operating these processes is monitored by the Audit and Risk Committee on behalf of the Board.

Notes to the financial information for the year ended 31 December 2015 (continued)

2. Principal risks and uncertainties (continued)

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*	• Changes to and compliance with laws and regulations
		• Competition and product proposition*	• Adapting to competitive environment
		• Funding*	• Funding availability to meet business needs
		• Interest rate* • Currency*	• Market volatility impacting performance and asset values
		• Counterparty*	• Loss of banking partner
		• Taxation*	• Changes to, or interpretation of, tax legislation
		• World economic environment*	• Adapting to economic conditions
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*	• Reputational damage
		• Customer service	• Maintenance of customer service standards
OPERATIONAL	The risk of unacceptable losses as a result of inadequacies or failures in our internal core processes, systems or people behaviours.	• Credit*	• Customers fail to repay
		• Safety*	• Harm to our agents/employees
		• 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 system
		• Technology	• Maintenance of effective technology
		• Fraud	• 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, 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 brands

*Risks currently considered as the key risks faced by the Group by the Board.

2. Principal risks and uncertainties (continued)

As at the year end, the Board considered that there are 14 key risks which require ongoing focus (noted with asterisks in the table above). Nine of these are considered to be the principal risks and uncertainties facing the Group.

Key:	Risk environment improving ↑	Risk environment stable ↔	Risk environment worsening ↓

Risk	Relevance to strategy	Mitigation	Commentary
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, or 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.	Changes in regulation, differences in interpretation or clarification / enforcement of laws not previously enforced by courts and other bodies can lead to challenge of our products/practices. We must keep up to speed with legal and regulatory developments to ensure we maintain compliance, can remain competitive and provide value for our customers. **Likelihood** The frequency of legal and regulatory change and the likelihood of challenge vary by market. In 2015, notable changes occurred in Poland, Slovakia and Romania.	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. Strong relationships are maintained with regulators and other stakeholders. Co-ordinated legal and public affairs teams, at a Group level and in each market, monitor political, legislative and regulatory developments.	↓ **Lead responsibility: Chief Executive Officer** A number of legislative and regulatory changes continue to be proposed and debated, particularly in Europe. As stated elsewhere in this financial information, these have had a significant impact on our businesses in Poland and Slovakia. The business is adapting, where possible, to changes announced in 2015 but the scale of the risk remains substantial and we must continue to be vigilant and flexible in our response. Further enhancements to our approach to governing this risk are planned in early 2016 including increased level of monitoring of regulatory matters, strengthened anticipation and engagement capabilities in-market and renewed association and sector reputation strategy. To comply with new legislation, our agents in Romania were made employees.
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 growth.	In an environment of increasing competition and broadening customer choice, ensuring our product meets customers' needs is critical to delivering growth. **Likelihood** Competition varies by market. In 2015, the impact of competitive activity, both from home credit and digital lenders, was particularly notable in Poland, Lithuania, Czech Republic and Slovakia.	Regular monitoring of competitors and their offerings in our markets. Competitor advertising and share of voice monitored. Regular surveys of customer views on our product offerings. Product development committees established across the Group to manage product change and introduce new products.	↔ **Lead responsibility: Chief Executive Officer** Competition continues to increase. The growth of IPF Digital continues to diversify our portfolio. We have launched a significant number of new product offerings in 2015 within the home credit markets, allowing customers more choice.

Notes to the financial information for the year ended 31 December 2015 (continued)

2. Principal risks and uncertainties (continued)

Key:	Risk environment improving ↑	Risk environment stable ↔	Risk environment worsening ↓
Risk	**Relevance to strategy**	**Mitigation**	**Commentary**
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 that will enable the Group to achieve its strategic aims.	Our reputation can have an impact on both customer sentiment and the engagement of key stakeholders, impacting our ability to grow. **Likelihood** We maintain strong relationships with stakeholders across the Group in order to minimise the likelihood of an event leading to unanticipated reputational impact.	Group Reputation and Regulation Committee. Clearly defined corporate values and ethical standards which are communicated throughout the organisation. Regular monitoring of reputation indicators.	↔ **Lead responsibility: Chief Executive Officer** Our businesses continue to achieve awards for ethical and effective operations. In light of the regulatory challenges and impending legislative changes being faced, we continue to communicate our position to investors and other key stakeholders.
SAFETY The risk of personal accident to, or assault of, our agents or employees. **Objective** We aim to maintain adequate arrangements that reduce the risks to be as low as is reasonably practicable.	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 is paramount to us. **Likelihood** The likelihood of an individual incident depends on many factors including the local environment. We strive to ensure that our agents and employees can carry out their work without risk of harm.	Group and market committees and annual safety survey. Bi-annual risk mapping for each agency including mitigation planning and field safety training. Annual self-certification of safety compliance by managers. Quarterly branch safety meetings. Role-specific training and competence matrix. Safety management systems based on internationally recognised standards.	↔ **Lead responsibility: Chief Executive Officer** We continued to make progress in our safety management systems throughout 2015 and now hold OHSAS certification in all established Home Credit businesses. Safety continues to be a significant area of focus for the Group.
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 depth of personnel to ensure we can meet our growth objectives.	Our Strategy for Growth includes plans to expand our footprint both in existing and new markets. In order to achieve this growth, we must continue to attract, retain and reward the right people. **Likelihood** Although our transformation and growth plans are significant, there is a strong history of talent moving between markets that reduces the likelihood of key vacancies. The likelihood of turnover temporarily impacting field performance may increase as the transformation programme affects field structures.	People and Organisational Planning process operating throughout the Group. Group-wide personal development review process and continuous development through tools such as 360 degree feedback and targeted leadership programmes. Periodic employee and agent engagement surveys and improvement plans. Group standard employee competency framework aligned to Strategy for Growth.	↓ **Lead responsibility: Chief Executive Officer** Our people strategy focuses on creating a culture of high engagement, identifying and nurturing talent and empowering people. We are making significant changes to field organisational structures and this commenced in some markets in 2015 with remaining markets planned to start in 2016. We aim to limit the short-term impact on field staff and agent stability and believe the medium-term impact of the transformation will increase the skills, engagement and stability of our people. In 2015, to comply with new legislation, our agents in Romania were made employees.

Notes to the financial information for the year ended 31 December 2015 (continued)

2. Principal risks and uncertainties (continued)

Key:	Risk environment improving ↑	Risk environment stable ↔	Risk environment worsening ↓
Risk	**Relevance to strategy**	**Mitigation**	**Commentary**
SERVICE DISRUPTION 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 or theft of sensitive information. **Objective** 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.	Globally, we have 2.8 million customers and we record, update and maintain data for each of them on a regular basis (often weekly). The availability of this data, and the continued operation of our systems and processes, is 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.	Core head office-based systems operate in a virtualised environment and are supported by service level agreements. Agreed and tested business continuity plan for all branches and head office functions. Strategic Business Impact Assessment performed. Intrusion detection and monitoring systems in place. Group and market level governance committees that oversee our service disruption and information security arrangements.	↑ **Lead responsibility: Chief Executive Officer** 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. Information security capability was further enhanced in 2015, including implementation of technical solutions to prevent and detect weaknesses. A disaster recovery assessment and testing programme has also been undertaken in the year. Further enhancements to our protection are planned for 2016.
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.	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. **Likelihood** The likelihood of changes in or challenges arising from tax legislation varies by market. Globally, OECD and EU led developments may lead to an increase in transfer pricing audits. We successfully concluded audits in Mexico and Hungary in 2015, although this does not prevent further challenge by the same authorities related to other fiscal periods.	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.	↔ **Lead responsibility: Chief Financial Officer** We continue to ensure our interpretation of taxation legislation is defendable through maintaining a strong governance framework, ensuring each mature market and the Group employs tax professionals, and taking external advice where relevant. Tax audits are currently being undertaken in Poland covering two fiscal periods.

Notes to the financial information for the year ended 31 December 2015 (continued)

2. Principal risks and uncertainties (continued)

Key:	Risk environment improving ↑	Risk environment stable ↔	Risk environment worsening ↓
Risk	**Relevance to strategy**	**Mitigation**	**Commentary**
CHANGE MANAGEMENT We suffer losses or fail to optimise profitable growth due to a failure to manage change in an effective manner. **Objective** We aim to effectively manage the design, delivery and benefits realisation of major global change initiatives and deliver according to requirements, budgets and timescales.	Our global change programme, Transformation for Growth ('T4G'), is key to delivering our Strategy for Growth for the home credit business. Effective management of the initiatives within this programme is essential. **Likelihood** T4G is a complex programme covering numerous markets. Recent changes to the delivery structure have been designed to minimise the likelihood of programme-wide issues.	Executive Director and Country Manager level prioritisation of key initiatives. Standard project management methodology principles defined. Governance structure in place to oversee ongoing change at Group and market levels.	↓ **Lead responsibility: Chief Executive Officer** T4G has successfully delivered in many areas throughout 2015. However, challenges have been faced leading to some delivery delays. Following external advice, we have restructured the programme and expect further successful delivery in 2016 and beyond.
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.	Changes in economic conditions have a direct impact on our customers' ability to make repayments. **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 model.	Treasury and credit committees review economic indicators. Daily monitoring of economic, political and national news briefings. Strong, personal customer relationships inform us of individual customer circumstances.	↔ **Lead responsibility: Chief Financial Officer** There were stable macroeconomic conditions in our markets in 2015. GDP forecasts for 2016 are for a continuation of recent growth.

3. Related parties

The Group has not entered into any material transactions with related parties during the year ended 31 December 2015.

Notes to the financial information for the year ended 31 December 2015 (continued)

4. Segmental analysis

Geographical segments

	2015 £M	2014 £M
Revenue		
Home credit		
Poland-Lithuania	**267.4**	308.8
Czech-Slovakia	**106.5**	136.9
Southern Europe	**155.1**	177.2
Mexico	**175.3**	160.3
	704.3	783.2
Digital	**31.1**	-
Revenue	**735.4**	783.2
Impairment		
Home credit		
Poland-Lithuania	**61.3**	84.2
Czech-Slovakia	**27.7**	42.0
Southern Europe	**35.0**	44.2
Mexico	**56.0**	49.6
	180.0	220.0
Digital	**8.9**	-
Impairment – pre-exceptional items	**188.9**	220.0
Exceptional items	**10.3**	-
Impairment	**199.2**	220.0
Profit before taxation		
Home credit		
Poland-Lithuania	**69.0**	72.5
Czech-Slovakia	**19.2**	24.3
Southern Europe	**26.6**	28.9
Mexico	**21.9**	16.5
Spain	**(1.8)**	(2.0)
	134.9	140.2
Digital	**(4.2)**	(1.5)
UK costs*	**(14.6)**	(15.2)
Profit before taxation – pre-exceptional items	**116.1**	123.5
Exceptional items	**(15.9)**	(23.3)
Profit before taxation	**100.2**	100.2

*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 2015 (continued)

4. Segmental analysis (continued)

	2015 £M	2014 £M
Segment assets		
Home credit		
Poland-Lithuania	**356.3**	320.0
Czech-Slovakia	**135.4**	176.0
Southern Europe	**200.8**	192.8
Mexico	**200.5**	183.3
Spain	**-**	1.1
	893.0	873.2
Digital	**91.6**	2.0
UK	**37.5**	95.0
	1,022.1	970.2
Segment liabilities		
Home credit		
Poland-Lithuania	**155.0**	135.6
Czech-Slovakia	**113.6**	121.7
Southern Europe	**117.9**	97.2
Mexico	**146.1**	134.7
Spain	**-**	1.7
	532.6	490.9
Digital	**59.1**	0.3
UK	**103.2**	117.4
	694.9	608.6
Capital expenditure		
Home credit		
Poland-Lithuania	**1.9**	2.9
Czech-Slovakia	**0.9**	1.4
Southern Europe	**2.6**	1.8
Mexico	**2.1**	3.1
Spain	**0.1**	0.2
	7.6	9.4
Digital	**0.3**	-
UK	**0.3**	2.2
	8.2	11.6
Depreciation		
Home Credit		
Poland-Lithuania	**1.4**	1.4
Czech-Slovakia	**1.7**	1.2
Southern Europe	**1.6**	2.3
Mexico	**1.5**	1.1
	6.2	6.0
Digital	**0.1**	-
UK	**4.3**	4.3
	10.6	10.3

4. Segmental analysis (continued)

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. Following the acquisition of MCB Finance and the launch of hapiloans in Poland, the Board undertook a review of the operating segments used to assess the Group's performance going forward. We now report by business line – home credit and digital; and by geographic region within the home credit business – Poland-Lithuania; Czech-Slovakia; Southern Europe (Hungary, Romania and Bulgaria); and Mexico. Spain is also reported separately following our decision to lead our market entry with a digital offering as reported earlier in 2015.
Following the integration of hapiloans into the digital business line, 2014 reported numbers have been restated.

5. Tax expense

The taxation charge for the year on statutory pre-tax profit was £37.7M (2014: £28.4M) which equates to an effective rate of 37.6% (2014: 28.3%) and includes the impact of the Slovakian deferred tax write off. The underlying tax charge was £31.2M which represents an effective tax rate of 26.9% (2014: 27.0%). The effective tax rate is expected to remain broadly at this level in 2016.

The Group is currently subject to a tax audit with respect to Provident Polska for the years 2008 and 2009. With respect to 2008, a protocol was issued in July 2013 by the Polish tax authority, and subsequently a decision was issued by the lower chamber of the fiscal authorities during 2014. The decision sought to challenge the timing of taxation of revenues and the tax effect of certain intra-group transactions. On appeal the decision was rejected and cancelled by the upper chamber. A revised decision is awaited. A protocol was issued with respect to 2009 in October 2015, raising similar challenges to those in the original 2008 decision. The company has issued its reservations to the protocol and a decision is awaited.

6. Earnings per share

Basic earnings per share ('EPS') is calculated by dividing the earnings attributable to shareholders of £62.5M (2014: £71.8M) by the weighted average number of shares in issue during the period of 229.1M (2014: 237.6M) which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust.

For diluted EPS, the weighted average number of IPF plc ordinary shares in issue is adjusted to 235.4M to assume conversion of all dilutive potential ordinary share options relating to employees of the Group (2014: adjusted to 244.4M).

	2015 pence	2014 pence
Basic EPS	**27.3**	30.2
Dilutive effect of awards	**(0.7)**	(0.8)
Diluted EPS	**26.6**	29.4

The adjusted earnings per share, of 37.1 pence (2014: 38.0 pence), shown in the financial highlights of this report has been presented before exceptional items, in order to better present the underlying performance of the Group.

Notes to the financial information for the year ended 31 December 2015 (continued)

7. Dividends

Dividend per share

	2015 pence	2014 pence
Interim dividend	**4.6**	4.2
Final proposed dividend	**7.8**	7.8
Total dividend	**12.4**	12.0

Dividends paid

	2015 £M	2014 £M
Interim dividend of 4.6 pence per share (2014: interim dividend of 4.2 pence per share)	**10.6**	9.8
Final 2014 dividend of 7.8 pence per share (2014: final 2013 dividend of 5.5 pence per share)	**18.0**	13.1
Total dividends paid	**28.6**	22.9

The directors are recommending a final dividend in respect of the financial year ended 31 December 2015 of 7.8 pence per share which will amount to a full year dividend payment of £27.7M. If approved by the shareholders at the annual general meeting, this dividend will be paid on 13 May 2016 to shareholders who are on the register of members at 8 April 2016. This dividend is not reflected as a liability in the balance sheet as at 31 December 2015 as it is subject to shareholder approval.

8. Exceptional items

	2015 £M	2014 £M
Exceptional charge	**(15.9)**	(23.3)
Tax (charge)/credit	**(6.5)**	4.9
Post-tax exceptional charge	**(22.4)**	(18.4)

9. Goodwill

	2015 £M	2014 £M
Net book value at 1 January	**-**	-
Acquisition of subsidiary (note 19)	**20.4**	-
Exchange adjustments	**(0.3)**	-
Net book value at 31 December	**20.1**	-

10. Intangible assets

	2015 £M	2014 £M
Net book value at 1 January	**10.1**	1.8
Additions	**18.9**	9.3
Acquisition of subsidiary (note 19)	**6.0**	-
Impairment	**(4.6)**	-
Amortisation	**(4.8)**	(1.0)
Net book value at 31 December	**25.6**	10.1

Intangible assets comprise computer software and customer relationships on the acquisition of MCB Finance.

11. Property, plant and equipment

	2015 £M	2014 £M
Net book value at 1 January	**28.2**	28.8
Exchange adjustments	**(1.2)**	(1.5)
Acquisition of subsidiary (note 19)	**0.1**	-
Additions	**8.2**	11.6
Disposals	**(0.4)**	(0.4)
Depreciation	**(10.6)**	(10.3)
Net book value at 31 December	**24.3**	28.2

As at 31 December 2015 the Group had £7.8M of capital expenditure commitments contracted with third parties that were not provided for (2014: £7.1M).

12. 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.

Notes to the financial information for the year ended 31 December 2015 (continued)

13. Amounts receivable from customers

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

	2015 £M	2014 £M
Polish zloty	**300.1**	293.3
Lithuanian litas	**-**	2.3
Czech crown	**85.0**	100.3
Euro	**87.6**	51.9
Hungarian forint	**107.5**	109.5
Mexican peso	**147.4**	132.5
Romanian leu	**67.3**	68.4
Bulgarian lev	**5.7**	2.3
Australian Dollar	**1.8**	-
Total receivables	**802.4**	760.5

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 115% (2014: 121%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 6.3 months (2014: 5.6 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 £425.8M (2014: £458.6M).

14. Borrowing facilities and borrowings

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

	2015		2014	
	Borrowings £M	**Facilities £M**	Borrowings £M	Facilities £M
Repayable:				
– in less than one year	**22.3**	**45.6**	73.7	102.0
– between one and two years	**28.7**	**60.7**	14.1	42.1
– between two and five years	**214.0**	**288.7**	59.5	171.4
– greater than five years	**291.9**	**294.9**	331.0	334.6
	534.6	**644.3**	404.6	548.1
Total borrowings	**556.9**	**689.9**	478.3	650.1

15. Derivative financial instruments

At 31 December 2015 the Group had an asset of £11.5M and a liability of £2.8M (2014: £5.8M asset and £2.7M 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.

16. Retirement benefit obligations

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

	2015 £M	2014 £M
Equities	**19.8**	19.5
Bonds	**8.9**	9.2
Index-linked gilts	**7.2**	8.1
Other	**0.2**	0.1
Total fair value of scheme assets	**36.1**	36.9
Present value of funded defined benefit obligations	**(36.3)**	(38.9)
Net obligation recognised in the balance sheet	**(0.2)**	(2.0)

The charge recognised in the income statement in respect of defined benefit pension costs is £nil (2014: £nil).

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 (2014: 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.

Notes to the financial information for the year ended 31 December 2015 (continued)

17. Fair values of financial assets and liabilities (continued)

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:

	2015		2014	
	Fair value	**Carrying value**	Fair value	Carrying value
	£M	**£M**	£M	£M
Financial assets				
Amounts receivable from customers	**1,140.0**	**802.4**	1,078.3	760.5
	1,140.0	**802.4**	1,078.3	760.5
Financial liabilities				
Bonds	**459.9**	**500.8**	452.1	462.4
Bank borrowings	**56.1**	**56.1**	15.9	15.9
	516.0	**556.9**	468.0	478.3

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 agent collection costs, at the Group's weighted average cost of capital.

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

	2015	2014
	£M	£M
Profit after taxation	**62.5**	71.8
Adjusted for:		
Tax charge	**37.7**	28.4
Finance costs	**41.6**	45.3
Share-based payment charge	**4.1**	4.9
Defined benefit pension cost	**-**	-
Depreciation of property, plant and equipment (note 11)	**10.6**	10.3
Loss on disposal of property, plant and equipment	**-**	0.1
Amortisation of intangible assets (note 10)	**4.8**	1.0
Impairment of intangible assets (note 10)	**4.6**	-
Changes in operating assets and liabilities:		
Amounts receivable from customers	**(58.5)**	(36.3)
Other receivables	**(1.1)**	(1.9)
Trade and other payables	**1.5**	(2.2)
Retirement benefit obligation	**(1.1)**	(0.4)
Derivative financial instruments	**(6.4)**	0.7
Cash generated from operating activities	**100.3**	121.7

Notes to the financial information for the year ended 31 December 2015 (continued)

19. Acquisition accounting

On 6 February 2015 the Group acquired 100% of the issued share capital of MCB Finance Group plc ('MCB'), a profitable digital consumer finance provider established in 2006, for a cash consideration of £23.2M.

The allocation of the consideration has been subject to a purchase price allocation exercise during the period. The excess of consideration over the net assets acquired has been allocated to goodwill.

Goodwill represents MCB's digitally knowledgeable and experienced management team who can help accelerate the development of the Group's digital lending business across new geographies. Additionally we expect the launch of our digital channel will open up new geographies which are not economically viable for a home credit operation or where an agent-led offer is not compelling to potential customers. The business combination also provides attractive growth opportunities as MCB will also benefit from the Group's investment support and access to cheaper funding to enable the business to grow at a faster rate with lower funding costs.

None of the goodwill recognised is expected to be deductible for income tax purposes.

The net assets acquired and goodwill (presented at the exchange rate at the acquisition date) are as follows:

	Net book value £M	**Fair value adjustments £M**	**Fair value £M**
Recognised amounts of identifiable assets acquired and liabilities assumed			
Intangible assets	**1.9**	**4.1**	**6.0**
Property, plant and equipment	**0.1**	**-**	**0.1**
Amounts receivable from customers	**33.0**	**(0.6)**	**32.4**
Cash and cash equivalents	**2.2**	**-**	**2.2**
Other receivables	**0.2**	**-**	**0.2**
Borrowings	**(32.0)**	**-**	**(32.0)**
Trade and other payables	**(3.4)**	**-**	**(3.4)**
Deferred tax liability	**(0.6)**	**(1.0)**	**(1.6)**
Current tax liabilities	**(1.1)**	**-**	**(1.1)**
	0.3	**2.5**	**2.8**
Goodwill			**20.4**
Total consideration			**23.2**
Cash consideration			**23.2**
Cash acquired			**(2.2)**
Net cash outflow in respect of acquisition			**21.0**

The fair value of financial assets includes amounts receivable from customers with a fair value of £32.4M and a gross contractual value of £57.5M. The best estimate at the acquisition date of the gross contractual cash flows not likely to be collected was £3.4M.

Notes to the financial information for the year ended 31 December 2015 (continued)

Following a review of the receivables valuation methodology, we have acquired a hindsight adjustment to reduce the net book value of receivables by £0.9M to £33.0M (30 June 2015: £33.9M), the corresponding entry has been made in goodwill.

For the period between the date of purchase and 31 December 2015, MCB contributed £29.5M to the Group's revenue, and £0.6M to the Group's profit before tax. Had the Group completed the purchase of MCB on the first day of the financial year, Group revenue would have been £2.8M higher than the reported results whilst Group profit before tax would not have been materially different.

20. Post balance sheet events

On 24 February, the Group announced to its employees that the Slovakian business would be wound-down and the receivables book collected out. We expect the Slovak operation to report a loss of around £5 million to £7 million during 2016 including the costs of closure of around £6 million.

21. 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 2015	**Closing 2015**	Average 2014	Closing 2014
Polish zloty	**5.8**	**5.8**	5.2	5.5
Czech crown	**37.6**	**36.6**	34.2	35.6
Euro	**1.4**	**1.4**	1.2	1.3
Hungarian forint	**428.3**	**427.1**	385.0	407.0
Mexican peso	**24.5**	**25.3**	22.0	23.0
Romanian leu	**6.1**	**6.1**	5.5	5.8
Bulgarian lev	**2.7**	**2.7**	2.4	2.5
Lithuanian litas	**-**	**-**	4.3	4.4
Australian dollar	**2.0**	**2.0**	-	-

The £23.9M exchange loss 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 2014 and December 2015 shown in the table above.

22. Going concern

The Board has reviewed the budget for the year to 31 December 2016 and the forecasts for the two 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, combined with a successful track record of accessing debt funding markets, is sufficient to fund the planned growth of our existing operations and new markets for the foreseeable future. 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.

23. 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: Dan O'Connor, Chairman; Gerard Ryan, Chief Executive Officer; Adrian Gardner, Chief Financial Officer; Tony Hales, senior independent non-executive director; Jayne Almond, non-executive director; John Mangelaars, non-executive director; Richard Moat, 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 7 April 2016.

2. The final dividend, which is subject to shareholder approval, will be paid on 13 May 2016 to shareholders on the register at the close of business on 8 April 2016. Dividend warrants/vouchers will be posted on 11 May 2016.

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 0371 664 0381. Calls cost 12 pence per minute plus your phone company's access charge, or +44 (0)20 8639 3367 (from outside the UK charged at the applicable international rate). Lines are open 8.30am to 5.30pm Monday to Friday excluding bank holidays).

4. The Annual Report and Financial Statements 2015, the notice of the annual general meeting and a proxy card will be posted on 15 March 2016 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 16 March 2016 or an email with the equivalent information.

5. The annual general meeting will be held at 10.30am on 4 May 2016 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 2015 in order to present the underlying performance variance.

Investor relations and media contacts:

International Personal Finance plc	*Rachel Moran - Investor Relations* *+44 (0)7760 167637 / +44 (0)113 285 6798* *Gergely Mikola - Media* *+36 20 339 02 25*
FTI Consulting	*Neil Doyle* *+44 (0)20 3727 1141 / +44 (0)7771 978 220* *Paul Marriott* *+44 (0)20 3727 1341 / +44 (0)7710 426 131*

International Personal Finance will host a live webcast of its full year results presentation at 09:00hrs (BST) today – Wednesday 24 February 2016, which can be accessed at www.ipfin.co.uk/investors.

The team will also host a conference call for analysts and investors at 16:00hrs (BST) today – Wednesday 24 February 2016. An audio recording will be available at www.ipfin.co.uk/investors from 25 February 2016.

Dial-in (UK):	+44 (0)20 3427 1911
Dial-in (US):	+1 646 254 3388
Passcode:	**4088678**

A copy of this statement can be found on the Company's website – www.ipfin.co.uk.