Half-year financial report
for the six months ended 30 June 2023

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Notes

This report has been prepared 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, as well as any 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 the period to present the performance variance.

1 August 2023
International Personal Finance plc
Half-year financial report for the six months ended 30 June 2023

Principal activity
International Personal Finance plc is helping to build a better world through financial inclusion by providing affordable credit products and insurance services to underserved consumers across nine markets.

FIRST-HALF PERFORMANCE AHEAD OF PLAN

Key highlights

- **Strong first-half performance and increased interim dividend**
  - Reported profit before tax up 12% to £37.8m (H1-22: £33.8m), ahead of internal plans.
  - Interim dividend increased by 15% to 3.1p per share (H1-22: 2.7p), in line with our stated dividend policy of paying 33% of the prior full-year dividend in the first half.

- **Excellent operational execution delivered continued growth and good credit quality**
  - Closing net receivables of £893m, up 10% year on year (at CER), with all three divisions delivering strong performances.
  - Actions to improve Group returns continue to be successful:
    - Revenue yield strengthened to 54.2% (H1-22: 49.8%).
    - Repayment performance remains robust, with the impairment rate of 11.4% (H1-22: 7.5%) being in line with expectations as rates normalise following Covid-19.
    - Further reduction in the cost-income ratio to 57.4% (H1-22: 65.0%) delivered through rigorous focus on cost efficiency.

- **Robust funding position and balance sheet to fund growth**
  - Successfully extended £39m of debt facilities in the first half and, together with advisors, exploring options to refinance the Group's Eurobond.
  - Headroom on funding facilities of £84m, together with strong cash flow generation, supports the Group's growth plans into the third quarter of 2024.
  - Equity to receivables ratio at 51.8% (H1-22: 52.4%) underpins the Group's growth plans and progressive dividend policy.

- **Strategy to take advantage of substantial and sustainable long-term opportunities being executed effectively**
  - Rollout of credit cards in Poland progressing well with 53,000 cards issued, and customers recognising and using the extra utility of the new product.
  - Mexico expansion strategy on track, with overall customer numbers in our home credit and digital divisions approaching 800,000.

Group key statistics	**H1-23**	H1-22	YOY change at CER
Customer numbers (000s)	**1,718**	1,718	-
Customer lending (£m)	**578.8**	513.3	4.8%
Average gross receivables (£m)	**1,343.2**	1,170.6	9.9%
Closing net receivables (£m)	**893.1**	769.9	9.7%
Reported PBT (£m)	**37.8**	33.8	
Pre-exceptional EPS (pence)[1]	**10.2**	9.1	
Interim dividend per share (pence)	**3.1**	2.7	15%

1 *Prior to an exceptional tax charge of £4.0m in 2023, and an exceptional tax credit of £10.5m in 2022, see page 16 for details.*

Gerard Ryan, Chief Executive Officer at IPF commented:

"Our focus on helping more people access affordable credit and excellent execution of our strategy delivered good growth and a strong set of financial results of which we are very proud. Notwithstanding the negative impacts of high inflation, all three divisions delivered great performances and we increased receivables by 10%, credit quality remained good and profit before tax was up 12% to £37.8m. We made significant progress with the rollout of our new credit card in Poland and further strong growth in Mexico through both our face-to-face and digital channels.

Our half-year results reflect the collective efforts of the whole IPF team, and I would like to thank my colleagues for all of their hard work and commitment to our customers and the communities we serve. The Board is pleased to declare an increase in the interim dividend of 15% to 3.1 pence per share, which is fully supported by our strong trading performance and the Group's robust balance sheet."

Alternative performance measures

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

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International Personal Finance will host a webcast of its 2023 half-year results presentation at 09.00hrs (BST) today – Tuesday 1 August 2023, which can be accessed here.

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

Legal Entity Identifier: 213800II1O44IRKUZB59

Chief Executive Officer's review

Group performance

Our focus on helping more consumers access affordable credit, combined with the excellent operational execution of our strategy delivered good growth and a strong set of financial results in the first half of the year. We increased first-half profit by 12% to £37.8m and there remains strong demand for our broad range of financial products, which supported a 10% increase (at CER) in net customer receivables to £893m. Notwithstanding the negative impacts of high inflation, customer repayment performance remained robust, and we are pleased with the credit quality of our receivables portfolio.

Our financial model underpins our purpose to build a better world through financial inclusion and targets a return on required equity (RORE) for the Group of 15% to 20%, which we consider to be sustainable and balances the needs of all our stakeholders. At the half year, our annualised pre-exceptional RORE strengthened to 14.7% (H1-22: 12.3%) reflecting the very good operational performances by the European and Mexico home credit divisions, both of which delivered ROREs marginally above 20%. There remain excellent growth opportunities for IPF Digital to achieve scale and deliver our target returns.

The Group continues to have a well-capitalised balance sheet and robust funding position with headroom on debt facilities of £84m, which supports our business plans into the third quarter of 2024.

The excellent first-half performance fully supports a 15% increase in the interim dividend to 3.1p (H1-22: 2.7p) per share, in line with our stated dividend policy of paying 33% of the prior year full-year dividend in the first half.

Full details of the Group financial performance are detailed in the financial review section.

Strategic delivery

We play a vital role in society by providing access to affordable credit products and insurance services to people who are often excluded from day-to-day financial services by banks and other lenders. Our aim is to build on our market leadership by deploying a broad range of products, expanding our distribution channels and upgrading customer journeys to attract the next generation of customers.

From our heritage as a dedicated provider of instalment loans delivered face-to-face by our customer representatives, we have successfully diversified our product mix across nine markets which today includes digital instalment loans, credit cards, digital credit lines and mobile wallet as well as insurances and other value-added services. The continued success of our strategy to broaden our product range is particularly well demonstrated in our Polish and Mexican markets as well as through our development of partnership opportunities.

<u>Poland</u>

Over a number of years, we have broadened our product range in Poland in response to changing consumer preferences and the evolving regulatory landscape. We now serve our customers with face-to-face and digitally-delivered instalment loans, a range of value-added products and, more recently, an exciting new credit card.

It is pleasing to report that the new credit card has been well received by both customers and field colleagues, and at the end of the first half we had issued 53,000 credit cards. The average balance is around £500 and average utilisation is c.80%. Whilst customers typically draw down around 90% of their credit limit initially through interaction with their customer representative, increasingly they are using their card to shop instore, spend online or access cash at no extra charge through an ATM, as they become more familiar with the benefits and added utility of a credit card. Importantly, customer repayment performance to date is tracking in line with our plans and is very similar to our experience of home credit instalment loans. We will continue to increase functionality and added utility, and expect to be serving between 120,000 and 150,000 customers with credit cards in Poland by the end of the year.

The success of the rollout, which reached nationwide coverage early in April, has proven the economics of the new credit card. We are therefore confident that our business in Poland is capable of delivering our target returns when it regains scale following the transition to operating under the total cost of credit cap and new affordability requirements, which came into force on 18 December 2022 and 18 May 2023 respectively. As we have previously indicated, we expect this transition to be complete in 2025 when credit cards are expected to represent over half of our Polish receivables book.

Mexico

Capturing the significant growth potential in Mexico is core to our strategy and we expanded both our geographic presence and product offering during the first half of the year. We launched home credit operations in the new region of Tampico in March which has started very well, and continued to expand our operations in Tijuana which opened in 2022. In addition, within our IPF Digital business we launched our mobile wallet to customers, providing them with extra functionality to manage their revolving credit line through their smart phones.

Mexico is a good example of where our traditional home credit business is working very closely with IPF Digital to pass consumers not suitable for managing a remote online credit facility to one of our customer representatives so they may be served through our face-to-face instalment lending channel. This ensures that we can serve more customers and also means that our marketing investment is more efficient. We will look to replicate this model within our other markets.

Partnerships

We see attractive growth opportunities to build more points at which consumers can access credit through retail partnerships. In 2022, we focused on understanding the customer journey and building our capability with the testing of point-of-sale finance for consumers in Romania and Mexico. In 2023, based on our learnings, we have identified a number of additional partnership opportunities to expand our distribution in Romania and Mexico, and we see these as a very important part of our growth plans going forward. The majority of partnership opportunities will be delivered through IPF Digital, where access to a revolving credit line delivered through smart phones is very beneficial to customers.

Marketplace

The global economic downturn and cost-of-living crisis is the largest challenge facing our business both in terms of its impact on our customers as well as increased costs across the Group. Inflation rates have slowed across our markets but are expected to remain elevated in the second half of the year.

We have continued to see good levels of demand for consumer credit in all our markets. While people within our target consumer segment often have lower incomes, they also budget very carefully and only want to borrow small sums. Their disposable income is under pressure because of increased food, fuel and energy prices but these factors have not had a discernible impact on repayments to date. Our lending criteria always centre on protecting customers from potential over-indebtedness and minimising credit risk to the business, and our responsible and prudent credit settings continue to reflect the uncertain macroeconomic environment for consumers with higher credit risk profiles. We continue to monitor lending and repayment performance carefully and will adjust credit settings as appropriate.

All our markets continue to be competitive, but we have seen banks tightening their underwriting as the effects of high inflation impact consumers' disposable incomes. In addition, we have seen some signs that competition is being impacted by both caution in capital markets and increasing regulation which continues to present an opportunity for established, well-governed businesses with a strong balance sheet like IPF. We believe that non-bank financial institutions will remain a crucial source of finance for lower-income underserved consumers, and we will continue to focus on serving more customers in this demographic while maintaining lending quality.

Environment, social and governance (ESG)

We have a very strong social purpose and are committed not only to supporting our customers by providing affordable and transparent credit in a responsible way, but also by striving to create long-term, sustainable value for all IPF stakeholders as we invest in promoting financial inclusion, developing the capabilities of our team who serve millions of customers and implementing our climate change strategy.

The key initiatives in the first half of the year included:

- The launch of our global 'Invisibles' community programme in Hungary, Romania and the Baltics highlighting the plight of underprivileged, marginalised and excluded members of society. Our work in this area was recognised through a number of awards in the Czech Republic.
- The Group's sixth annual Volunteer and Financial Inclusion month saw 2,000 volunteers across our markets undertaking projects to support 35,000 people in need.
- Our Global People Survey demonstrated a high level of colleague engagement.
- We have held the ISO 45001 Occupational Health and Safety Management Standard in all European home credit markets since 2020. In the first half of 2023, we achieved this accreditation in Mexico home credit.
- Recognised with Top Employer and Super Ethical Company awards in Poland, and IPF Digital in Mexico was named as the 'Best Place to Work for Women'.

We are very proud of these achievements and our work in this area is fundamental to our purpose of building a better world through financial inclusion. We continued to further develop our ESG strategy, and will be launching a "Responsible Business Framework" in the second half of the year as part of our journey to embed ESG throughout all of our operations.

Dividend

Reflecting the confidence in executing the Group's strategy and realising the long-term growth potential of the business, the Board is pleased to declare a 15% increase in the interim dividend to 3.1 pence per share. This is in line with our progressive dividend policy which sets the interim dividend payment at 33% of the prior year's full dividend payment. The interim dividend will be paid on 29 September 2023 to shareholders on the register at the close of business on 1 September 2023. The shares will be marked ex-dividend on 31 August 2023.

Regulatory update

There have been no material updates on the EU Commission's review of the Consumer Credit Directive, and we continue to expect that a final compromise proposal will be published later in 2023.

As previously indicated, we were granted a small payment institution licence in Poland last year to enable credit card issuance and payment services. We submitted an application for a full payment institution licence in Q4-22 and are in dialogue with the Polish financial supervision authority, the Komisja Nadzoru Finansowego (KNF), to ensure that we meet the requirements for this licence, a process which typically takes around 12 months.

In response to new affordability regulations that came into force in Poland in May 2023, we successfully deployed new processes and technology to assess customers in line with the new rules, and in IPF Digital introduced systems to comply with the Payment Services Directive Two (PSD2) ensuring customer authentication processes.

Outlook

Our aim is to provide underserved consumers with access to simple, personal and affordable credit and insurance services to help protect them and their families. There is significant demand for affordable credit within our target demographic, and we see substantial and sustainable long-term growth opportunities through meeting the needs of more consumers with an increased choice of products and distribution channels.

All three of our divisions performed well in the first half of the year, delivering good growth and financial results. Whilst there has been no discernible impact from the rising costs of living on customer demand or repayment performance, we will continue to monitor this closely and maintain a cautious approach to lending given the macroeconomic backdrop. As we have demonstrated previously, we have a strong track record of adjusting credit settings to adapt to market conditions very quickly in order to maintain returns.

Looking ahead and as previously reported, we expect overall Group receivables growth to be more modest for the year as a whole and our returns to moderate as we continue to adapt our Polish business to serving customers under the new pricing and affordability regulations. In European home credit, we will focus on rolling out our new credit card in Poland, whilst continuing to deploy more digital solutions to improve customer experience and cost efficiency in all four markets. In Mexico home credit, our efforts will centre on delivering our expansion strategy to maximise customer reach and, in IPF Digital, we will continue to rebuild scale to deliver our target returns in the medium term, particularly through strong growth in Mexico and Australia. We will also maintain strict control of costs across the Group and see further opportunities to drive operational and structural cost efficiencies.

We have a strong balance sheet which underpins our confidence in continuing to deliver a good set of results for the year as a whole and deliver our progressive dividend policy and to return the Group to its target returns in 2025.

Financial review

Group

We delivered a very good first-half performance and continued to make progress on executing our strategy, despite the challenging macroeconomic environment. We delivered a first-half profit before tax of £37.8m, up by 11.8% (£4.0m) on the first half of last year and ahead of our plans, reflecting a strong operational performance as well as favourable movements in exchange rates compared with our original assumptions. An analysis of profits between our three trading divisions is set out below:

	H1-23 £m	H1-22 £m	Change £m	Change %
European home credit	**30.3**	29.6	0.7	2.4
Mexico home credit	**11.4**	7.4	4.0	54.1
IPF Digital	**4.1**	4.5	(0.4)	(8.9)
Central costs	**(8.0)**	(7.7)	(0.3)	(3.9)
Profit before taxation	**37.8**	33.8	4.0	11.8

The detailed income statement of the Group, together with associated KPIs is set out below:

	H1-23 £m	H1-22 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**1,718**	1,718	-	-	-
Customer lending	**578.8**	513.3	65.5	12.8	4.8
Average gross receivables	**1,343.2**	1,170.6	172.6	14.7	9.9
Closing net receivables	**893.1**	769.9	123.2	16.0	9.7
Revenue	**380.0**	297.4	82.6	27.8	17.6
Impairment	**(89.2)**	(43.3)	(45.9)	(106.0)	(80.9)
Revenue less impairment	**290.8**	254.1	36.7	14.4	6.2
Costs	**(215.1)**	(190.3)	(24.8)	(13.0)	(5.2)
Interest expense	**(37.9)**	(30.0)	(7.9)	(26.3)	(18.8)
Reported profit before taxation	**37.8**	33.8	4.0	11.8	
Annualised revenue yield	**54.2%**	49.8%	4.4 ppts		
Annualised impairment rate	**11.4%**	7.5%	(3.9) ppts		
Annualised cost-income ratio	**57.4%**	65.0%	7.6 ppts		
Pre-exceptional EPS[1]	**10.2p**	9.1p	1.1 p		
Annualised pre-exceptional ROE	**11.3%**	10.4%	0.9 ppts		
Annualised pre-exceptional RORE[1,2]	**14.7%**	12.3%	2.4 ppts		

[1] Prior to an exceptional tax charge of £4.0m in 2023, and an exceptional tax credit of £10.5m in 2022.
[2] Based on required equity to receivables of 40%.

Delivering growth responsibly is a core strand of our purpose to increase financial inclusion for people who are unable to access credit from banks and traditional lenders. The strong execution of our strategy to capture growth opportunities and meet consumer demand with our broadening range of financial products drove a 4.8% increase in customer lending year on year. We increased our closing net receivables portfolio by £123.2m (9.7% at CER) to £893.1m at the half year, reflecting double-digit growth in all three divisions, which resulted in strong revenue growth of 17.6%. Customer numbers increased by 1.1% to 1.72m (excluding the collect-outs of our businesses in Spain and Finland).

The Group annualised revenue yield continued to strengthen, up 4.4ppts to 54.2%, as a result of the positive impact of lower levels of promotional activity introduced during the second half of last year and the impact of price increases in some of our markets. Price increases are only made after due consideration of rate caps, which are often linked to movements in local base rates, and stringent consideration of customer affordability. The Group revenue yield is now within our target range of 53% to 56%, and we expect it to increase further in the medium term as: (i) Mexico home credit, which carries a higher yield, grows and represents a larger proportion of the Group's receivables portfolio; and (ii) the impact of price increases and lower promotional activity in the receivables portfolio take greater effect.

We are always very disciplined and responsible in our lending decisions to customers, and never more so than in difficult economic times. The close relationships we have with our customers also encourages a strong repayment ethos. Despite the increased costs of living, we have not seen any discernible impact on customer repayment behaviour and, together with tight credit standards, the quality of our loan portfolio continues to be very good. The annualised impairment rate at the end of the first half was 11.4% (H1-22: 7.5%), which is in line with our expectations as impairment rates normalise following the pandemic. We expect the Group annualised impairment rate to rise closer to our target range of 14% to 16% as we continue to grow the business and Mexico, which carries a higher impairment rate, represents a larger proportion of receivables. Our balance sheet remains very robust against the impact of cost-of-living increases with an impairment coverage ratio of 36.5% at the end of the first half (H1-22: 37.6%), which is little changed from 36.4% at the end of 2022 and compares with a pre-Covid-19 ratio of 33.5% at the end of 2019.

Maintaining tight control of costs and delivering efficiency improvements through technology to offset inflationary pressures are having a meaningful impact on our returns. These actions, together with the growth in revenue, resulted in a significant 7.6ppt improvement in the annualised cost-income ratio from 65.0% to 57.4% over the last 12 months. Given the momentum in the business, and the initiatives underway, we have increased confidence that we will outperform our medium-term target of 52% to 54% as we continue to achieve greater scale.

Reported pre-exceptional EPS was 10.2p per share (H1-22: 9.1p), up 1.1ppts year on year, and in line with the growth in pre-tax profits.

The pre-exceptional annualised RORE for the first half of 14.7% was broadly in line with 14.6% at the end of 2022 (H1-22: 12.3%). We continue to operate close to the lower end of our target range of 15% to 20% as we rebuild scale and transition the Polish business to the new regulatory landscape. The Group's annualised pre-exceptional ROE, based on actual equity, was 11.3% at the half year, down from 11.5% at end of 2022 (H1-22: 10.4%) due to favourable exchange rate movements which have increased equity. As previously reported, we anticipate Group returns will moderate for 2023 as a whole because the impact of the new regulations in Poland is more pronounced in the second half, due to new affordability rules which came into force on 18 May 2023. We expect to rebuild returns in 2024 and deliver our target returns in 2025.

Changes to financial model KPIs

Our financial model sets out the target returns we need to support our dividend policy, fund our growth and ensure we retain a strong balance sheet. The most integral part of our financial model is that we must deliver a Group RORE of between 15% and 20%. We target each of our divisions to deliver a return of at least 20% to ensure that we can deliver the Group RORE, after taking account of central costs. We believe that Group returns materially in excess of our target range would result in us not balancing the needs of all of our stakeholders in delivering our purpose.

Our financial model is underpinned by a stringent focus on revenue yield, impairment rate and cost-income ratio. It is also dictated by the cost of funding and the tax rate. We set targets for each of these metrics 12 months ago and, in light of strong operational performance over the last year together with the global rise in interest rates due to cost-of-living pressures, we have re-evaluated the targets for each of these metrics as follows:

Group KPI	**Previous target range**	**New, medium-term target range**
Annualised revenue yield	53% - 56%	56% - 58%
Annualised impairment rate	14% - 16%	14% - 16%
Annualised cost-income ratio	52% - 54%	49% - 51%

The revised targets are supported by our financial forecasts and ongoing initiatives that are well progressed. They support the delivery of our target returns of between 15% and 20% after taking account of increasing funding costs and an ongoing tax rate of approximately 40%.

Divisional performance

European home credit

Our European home credit division delivered a very good operational performance in the first half of the year, reporting an increase in profit before tax to £30.3m (H1-22: £29.6m), despite operating under new pricing and affordability requirements in Poland as described above.

	H1-23 £m	H1-22 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**785**	786	(1)	(0.1)	(0.1)
Customer lending	**318.3**	288.1	30.2	10.5	5.6
Average gross receivables	**792.5**	722.0	70.5	9.8	9.0
Closing net receivables	**505.4**	441.4	64.0	14.5	9.3
Revenue	**192.2**	148.8	43.4	29.2	23.8
Impairment	**(27.1)**	(1.1)	(26.0)	(2,363.6)	(2,610.0)
Revenue less impairment	**165.1**	147.7	17.4	11.8	7.0
Costs	**(110.8)**	(99.0)	(11.8)	(11.9)	(7.4)
Interest expense	**(24.0)**	(19.1)	(4.9)	(25.7)	(20.6)
Reported profit before taxation	**30.3**	29.6	0.7	2.4	
Annualised revenue yield	**45.6%**	40.7%	4.9 ppts		
Annualised impairment rate	**3.9%**	1.1%	(2.8) ppts		
Annualised cost-income ratio	**59.8%**	67.7%	7.9 ppts		
Annualised pre-exceptional RORE	**21.0%**	17.7%	3.3 ppts		

Despite the ongoing challenges in Europe's trading environment driven by the impacts of the war in Ukraine, consumer demand remained robust, and we delivered 5.6% growth in customer lending year on year. The robust operational execution of our strategy resulted in a 9.3% increase (at CER) in closing net receivables to £505m with Hungary and Romania both delivering growth in excess of 20% and the Czech Republic delivering 9%. These increases were offset partially by a 4% reduction in Poland where we expected growth to slow. Excluding Poland, customer lending and closing net receivables both increased by 21%. Customer numbers ended the first half at 785,000, broadly in line with H1-22.

The annualised revenue yield has strengthened significantly over the last 12 months from 40.7% to 45.6%. This reflects the strong management actions to bolster this metric, including reduced promotional activity and modest price in June last year, some of which relate to local rate caps which are linked to base rate movements.

Customer repayment performance remained robust in all our European home credit markets which, together with tight credit standards, delivered an impairment rate of 3.9%, up from 1.1% as rates began to normalise post-pandemic. We expect the medium-term impairment rate to rise to between 8% and 10%.

The good growth in lending and tight management of costs delivered a further significant improvement in the cost-income ratio, reducing 7.9ppts year on year to 59.8% (H1-22: 67.7%). We continue to drive more efficient processes and deliver greater synergies across our four countries, including through the deployment of technology and sharing of best practice and resource.

The annualised pre-exceptional RORE in European home credit improved to 21.0% (H1-22:17.7%) which is in line with our divisional target returns. As we indicated last year, we expect European home credit returns to reduce in the second half of 2023 and through 2024 as we transition our Polish business to the new regulatory landscape in which we now operate before returning to delivering target returns in 2025.

European home credit is the bedrock of the Group. It serves nearly 800,000 customers, has good growth prospects and is delivering our target returns. Our focus remains on increasing the number of customers using our credit card offering in Poland, expanding our remote digital offering in the Czech Republic, broadening our product range to serve more customers, including leveraging from our IPF Digital business, as well as continuing to deploy more technology to improve customer experience and cost efficiency.

Mexico home credit

Mexico home credit delivered further good growth and another strong operational performance in the first half. Profit before tax increased by 54% (£4.0m) to £11.4m (H1-22: £7.4m).

	H1-23 £m	H1-22 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**700**	676	24	3.6	3.6
Customer lending	**142.9**	116.4	26.5	22.8	4.5
Average gross receivables	**274.8**	201.2	73.6	36.6	15.8
Closing net receivables	**176.1**	140.8	35.3	25.1	9.7
Revenue	**125.4**	93.1	32.3	34.7	14.8
Impairment	**(44.0)**	(31.0)	(13.0)	(41.9)	(21.5)
Revenue less impairment	**81.4**	62.1	19.3	31.1	11.5
Costs	**(64.1)**	(50.4)	(13.7)	(27.2)	(9.0)
Interest expense	**(5.9)**	(4.3)	(1.6)	(37.2)	(15.7)
Reported profit before taxation	**11.4**	7.4	4.0	54.1	
Annualised revenue yield	**88.5%**	86.5%	2.0 ppts		
Annualised impairment rate	**32.2%**	27.9%	(4.3) ppts		
Annualised cost-income ratio	**50.0%**	53.8%	3.8 ppts		
Annualised RORE	**20.5%**	20.8%	(0.3) ppts		

Mexico home credit continued to deliver strong returns in a market with high demand for credit and significant growth potential. Our continued expansion, which included the launch of home credit operations in Tampico in March, together with good consumer demand, delivered a 4.5% increase in customer lending year on year, against tighter credit settings introduced towards the end of 2022. This compares with a very strong first-half performance in 2022 when we saw a resurgence in demand as Mexico recovered from the pandemic. We expect customer lending growth to increase to between 8% and 10% in H2-23, against a more normal growth rate achieved in the second half of last year. Customer numbers grew by 3.6% in the first half to 700,000.

Closing net receivables increased by 9.7% (at CER) to £176.1m which flowed into strong revenue growth of 14.8% year on year. The annualised revenue yield improved from 86.5% in June last year to a more normalised level post-pandemic of 88.5%. We expect this ratio to remain close to this level going forward.

Customer repayment performance remained consistent during the first six months of the year. The annualised impairment rate increased to 32.2% (H1-22: 27.9%), which is higher than our target rate for Mexico of 30%. This predominantly reflects a modest deterioration in credit quality towards the end of 2022 prior to credit tightening. Repayment performance is now back in line with our plan, and we anticipate the impairment rate moving towards our target level by the year end.

In line with our growth strategy, we continued to invest in expanding our infrastructure and customer reach in Mexico which resulted in costs increasing year on year by 9.0% (at CER). However, the cost-income ratio has now improved by 3.8 ppts to 50% over the last 12 months (H1-22: 53.8%), demonstrating the benefit of operational leverage in this growing business as well as good cost control. Mexico is the benchmark home credit operation for cost efficiency.

Mexico home credit delivered an annualised RORE of 20.5% (H1-22: 20.8%), in line with our divisional target returns. As we have indicated previously, investing in sustainable growth with a relatively shallow "j-curve" is key to maintaining target returns in this strong growth business.

Our Mexico home credit business offers very exciting and significant long-term growth prospects. By successfully delivering on our strategy, we will continue to deliver sustainable growth to ensure consistent returns. We will enhance territory management to maximise customer reach within the current geographic footprint and selectively digitise the customer journey. We will also continue to build on the synergies developed with IPF Digital, which is helping us financially include more people in Mexico. Together, Mexico home credit and IPF Digital in Mexico already serve nearly 800,000 customers, and there is good potential to grow to over one million customers in the medium term.

IPF Digital

IPF Digital delivered good growth in all our ongoing markets and reported a profit before tax of £4.1m (H1-22: £4.5m). Whilst this is a reduction year on year, this reflects: (i) the "j-curve" impact of strong receivables growth; (ii) the impact of transitioning the Polish business to the new lower total cost of credit cap and affordability rules; and (iii) the collect-out markets of Spain and Finland contributing lower profits as they near closure.

	H1-23 £m	H1-22 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**233**	256	(23)	(9.0)	(9.0)
Customer lending	**117.6**	108.8	8.8	8.1	2.8
Average gross receivables	**275.9**	247.4	28.5	11.5	6.9
Closing net receivables	**211.6**	187.7	23.9	12.7	11.0
Revenue	**62.4**	55.5	6.9	12.4	6.7
Impairment	**(18.1)**	(11.2)	(6.9)	(61.6)	(49.6)
Revenue less impairment	**44.3**	44.3	-	-	(4.5)
Costs	**(32.2)**	(33.3)	1.1	3.3	7.5
Interest expense	**(8.0)**	(6.5)	(1.5)	(23.1)	(17.6)
Reported profit before taxation	**4.1**	4.5	(0.4)	(8.9)	
Annualised revenue yield	**45.0%**	46.7%	(1.7) ppts		
Annualised impairment rate	**11.9%**	9.3%	(2.6) ppts		
Annualised cost-income ratio	**53.1%**	62.8%	9.7 ppts		
Annualised RORE	**6.3%**	6.1%	0.2 ppts		

Good demand for IPF Digital's revolving credit offering together with a strong operational performance supported a 2.8% increase in customer lending in the first half of the year. The growth rate was heavily distorted by Poland, where changes to the regulatory landscape resulted in a decline in lending of approximately 30%. Elsewhere, there were impressive performances in Mexico and Australia, which both delivered growth of 24% and in the Baltics combined, customer lending increased by 13%.

Customer numbers ended the first half at 233,000. Mexico, Australia and the Baltics delivered good growth and, together, increased customer numbers by 7%. As expected, customer numbers reduced in Poland by 20%.

We are successfully increasing receivables to gain scale and deliver our target returns which resulted in an 11.0% increase (at CER) in closing net receivables. Again, this was driven by Mexico, Australia and the Baltics which delivered combined growth of 23% whereas Poland saw a decline of 14%. The collect-out portfolios in Finland and Spain have reduced from approximately £4m a year ago to less than £1m at the end of June as the collect-outs continue to progress well.

The annualised revenue yield has reduced by 1.7 ppts to 45.0% over the last year. This reflects the impact of a combination of factors including: (i) the flow through of a tighter rate cap in Latvia in 2022; (ii) the reduction in higher yielding Finland and Spain receivables during the collect-outs; (iii) the impact of the lower total cost of credit cap in Poland; and (iv) the growth in Australia, which is relatively lower yielding. These adverse variances have been offset partly by the growth in Mexico which has a higher revenue yield.

Customer repayments remained robust and the annualised impairment rate increased from 9.3% last June to 11.9%. This is mainly due to the growth in lending in Mexico which carries a higher impairment rate as well as the rundown of the Finland and Spain receivables portfolios which incur minimal impairment as it has already been accounted for up front under IFRS 9.

Although we continued to invest in developing our product offering and marketing to attract new customers and build scale, tight control on expenditure delivered a 7.5% (at CER) reduction in costs year on year and this was reflected in the cost-income ratio which decreased significantly by 9.7 ppts to 53.1% (H1-22: 62.8%). We expect the cost-income ratio to further improve as we continue to rebuild the business and benefit from economies of scale. As a fully digital business, we are targeting a cost-income ratio of around 45% in the medium term.

IPF Digital’s RORE in the first half of 2023 was 6.3%, broadly unchanged from H1-22 and the 2022 year end, reflecting the investment in growth in Australia and Mexico, the transition of the Polish business to operating under the new regulatory environment and the diminishing profit contribution from Finland and Spain. Although IPF Digital has lower scale than we would wish following Covid-19 and the closure of Finland and Spain, there are strong organic growth opportunities in our existing markets, particularly Mexico and Australia, and we will continue to consider inorganic opportunities to deliver scale and increase returns to our target levels. Our aim is for IPF Digital to deliver returns at the lower end of the Group’s target range in 2025.

Our focus in IPF Digital is to continue gaining scale and extend the reach of our mobile wallet in the Baltics, Mexico and, in due course, Australia. We will also continue to expand the new hybrid lending opportunities that our digital and home credit businesses are partnering on in Mexico and we are exploring the potential of extending this to our other home credit markets. In addition, we also see very strong growth potential from working with partners to provide point-of-sale revolving credit facilities, and we are currently working on a number of attractive opportunities.

Taxation

The pre-exceptional taxation charge on the profit for the first half has been based on an expected tax rate for the full year of approximately 40% (H1-22: 40%).

The first half results reflect an exceptional tax charge of £4m relating to a new "extra profit special tax" implemented by the Hungarian government in 2022 and chargeable on the financial sector including non-bank financial institutions. As originally enacted, the tax was due in respect of 2022 and 2023 only with an exceptional tax charge of £5m being reflected in the 2022 Group financial statements and a further exceptional charge of £6m had been expected to be reflected in 2023. However, following changes made to this regulation during the first half of 2023, the expected impact on the Group for 2023 is a reduced exceptional tax charge of £4m but as the tax has been extended by one further year, a further tax charge of £2m is expected to arise in 2024.

Funding and balance sheet

We continue to maintain a very conservatively capitalised balance sheet and robust funding position. At the end of June, the Group's equity to receivables ratio was 51.8% (H1-22: 52.4%) and this compares with our target of 40%. The ratio has remained unchanged despite: (i) receivables growth being in line with our financial model over the last 12 months; (ii) returns being below the lower target threshold of 15%; and (iii) a dividend pay-out ratio in excess of 40%. The absorption of capital from these factors has been offset directly by £55m of foreign exchange gains being credited to reserves over the last 18 months (£13m in H1-23). Excluding the benefit of these exchange gains, the equity to receivables ratio would have been around 46% at the end of June. We intend to reduce the equity to receivables ratio progressively over the next two years as we invest in growth, deliver our progressive dividend policy and build returns to our target level of 15% to 20%.

The gearing ratio was 1.2 times (H1-22: 1.3 times) at the end of the first half, comfortably within of our covenant limit of 3.75 times, and our interest cover covenant was 2.2 times (H1-22: 2.4 times), compared with our covenant of 2.0 times.

At the end of June, the Group had total debt facilities of £609m, comprising £413m of bonds and £196m of bank facilities. We have borrowings of £523m and, together with undrawn facilities and non-operational cash balances, headroom is £84m. The Group's current funding capacity together with strong business cash generation, is expected to meet our funding requirements to the third quarter of 2024. Our additional funding requirement in 2023 is not expected to be significant due to the anticipated contraction in Polish receivables as we transition the business to operate under new rate cap and affordability regulations.

We successfully extended £39m of debt facilities in the first half of the year, including £32m of bank facilities and the issue of £7m of retail bonds held in treasury. The debt maturity profile of the Group stands at 2.1 years. Together with our advisors, we are actively exploring a number of options to extend our debt maturity profile and refinance the Eurobond.

Our blended cost of funding in H1-23 was 14.0%, up from 12.2% in H1-22. This is due to a significant step-up in interest rates across our markets which resulted in higher costs of bank funding and the cost of hedging. Our hedging policy is to match our local currency receivables with borrowings in the same denomination to provide certainty of cashflows and avoid significant volatility in the income statement from movements in exchange rates. Accordingly, our borrowings denominated in sterling and euros are swapped through forward contracts into local currency when we onward lend to our markets. As a result, the margin on the sterling/euro bond is effectively added to the local base rate for determining the cost of funding for that market. For countries such as Hungary and Mexico, where base rates are currently 13.0% and 11.25% compared with base rates in the UK and Eurozone of 5.0% and 4.0% respectively, this has resulted in an increased cost of hedging. We anticipate a modest increase in the overall Group cost of funding in 2024 as we refinance maturing fixed interest rate funding.

Our credit ratings remained unchanged. We have a long-term credit rating of BB- (Outlook Stable) from Fitch Ratings and Ba3 (Outlook Stable) from Moody's Investors Services.

Financial statements

Consolidated income statement

	Notes	**Unaudited Six months ended 30 June 2023 £m**	Unaudited Six months ended 30 June 2022 £m	Audited Year ended 31 December 2022 £m
Revenue	3	**380.0**	297.4	645.5
Impairment	3	**(89.2)**	(43.3)	(106.7)
Revenue less impairment		**290.8**	254.1	538.8
Interest expense	4	**(37.9)**	(30.0)	(68.1)
Other operating costs		**(62.2)**	(57.9)	(121.5)
Administrative expenses		**(152.9)**	(132.4)	(271.8)
		(253.0)	(220.3)	(461.4)
Profit before taxation	3	**37.8**	33.8	77.4
Pre-exceptional tax (expense)/income				
- UK		**-**	-	0.1
- Overseas		**(15.1)**	(13.5)	(31.2)
Pre-exceptional tax expense	5	**(15.1)**	(13.5)	(31.1)
Exceptional tax (expense)/income	8	**(4.0)**	10.5	10.5
Total tax expense		**(19.1)**	(3.0)	(20.6)
Profit after taxation attributable to equity shareholders		**18.7**	30.8	56.8

The notes to the financial information are an integral part of these condensed consolidated interim financial statements.

Earnings per share - statutory

	Notes	**Unaudited Six months ended 30 June 2023 pence**	Unaudited Six months ended 30 June 2022 pence	Audited Year ended 31 December 2022 pence
Basic	6	**8.4**	13.9	25.6
Diluted	6	**8.0**	13.2	24.3

Earnings per share – pre-exceptional items

	Unaudited Six months ended 30 June 2023 pence	Unaudited Six months ended 30 June 2022 pence	Audited Year ended 31 December 2022 pence
Basic	**10.2**	9.1	20.8
Diluted	**9.7**	8.7	19.8

Dividend per share

	Notes	**Unaudited Six months ended 30 June 2023 pence**	Unaudited Six months ended 30 June 2022 pence	Audited Year ended 31 December 2022 pence
Interim dividend	7	**3.1**	2.7	2.7
Final dividend	7	**-**	-	6.5
Total dividend		**3.1**	2.7	9.2

Dividends paid

	Notes	**Unaudited Six months ended 30 June 2023 £m**	Unaudited Six months ended 30 June 2022 £m	Audited Year ended 31 December 2022 £m
Interim dividend of 3.1 pence (2022: interim dividend of 2.7 pence) per share	7	**-**	-	6.0
Final 2022 dividend of 6.5 pence (2022: final 2021 dividend of 5.8 pence) per share	7	**14.6**	12.9	12.9
Total dividends paid		**14.6**	12.9	18.9

Consolidated statement of comprehensive income

	Unaudited Six months ended 30 June 2023 £m	Unaudited Six months ended 30 June 2022 £m	Audited Year ended 31 December 2022 £m
Profit after taxation attributable to equity shareholders	**18.7**	30.8	56.8
Other comprehensive income			
Items that may subsequently be reclassified to income statement			
Exchange gains on foreign currency translations	**12.7**	18.9	41.8
Net fair value losses – cash flow hedges	**(0.8)**	(2.8)	(2.3)
Tax credit on items that may be reclassified	**-**	-	0.8
Items that will not subsequently be reclassified to income statement			
Actuarial (losses)/gains on retirement benefit asset	**(1.2)**	0.9	(3.8)
Tax credit/(charge) on items that will not be reclassified	**0.3**	(0.2)	0.9
Other comprehensive income net of taxation	**11.0**	16.8	37.4
Total comprehensive income for the period attributable to equity shareholders	**29.7**	47.6	94.2

Consolidated balance sheet

	Notes	**Unaudited 30 June 2023 £m**	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Assets				
Non-current assets				
Goodwill	9	**23.4**	23.4	24.2
Intangible assets	10	**28.7**	24.9	27.9
Property, plant and equipment	11	**16.1**	16.9	17.3
Right-of-use assets	12	**19.4**	18.5	19.3
Amounts receivable from customers	14	**201.5**	179.2	212.2
Deferred tax assets	13	**144.9**	136.1	138.5
Retirement benefit asset	17	**0.9**	6.7	2.1
		434.9	405.7	441.5
Current assets				
Amounts receivable from customers	14	**691.6**	590.7	656.6
Derivative financial instruments		**1.0**	3.0	4.5
Cash and cash equivalents		**28.2**	43.7	50.7
Other receivables		**16.2**	15.6	16.2
Current tax assets	15	**1.6**	29.0	1.6
		738.6	682.0	729.6
Total assets	3	**1,173.5**	1,087.7	1,171.1
Liabilities				
Current liabilities				
Borrowings	16	**(59.5)**	(28.6)	(71.8)
Derivative financial instruments		**(12.9)**	(5.9)	(4.6)
Trade and other payables		**(129.5)**	(123.0)	(122.2)
Provisions for liabilities and charges		**(3.4)**	(2.6)	(4.7)
Lease liabilities	12	**(8.1)**	(6.9)	(7.2)
Current tax liabilities		**(14.5)**	(17.2)	(18.3)
		(227.9)	(184.2)	(228.8)
Non-current liabilities				
Deferred tax liabilities	13	**(5.9)**	(7.9)	(5.9)
Lease liabilities	12	**(13.3)**	(12.8)	(14.2)
Borrowings	16	**(463.5)**	(479.0)	(477.0)
		(482.7)	(499.7)	(497.1)
Total liabilities	3	**(710.6)**	(683.9)	(725.9)
Net assets		**462.9**	403.8	445.2
Equity attributable to owners of the Parent				
Called-up share capital		**23.4**	23.4	23.4
Other reserve		**(22.5)**	(22.5)	(22.5)
Foreign exchange reserve		**21.9**	(13.7)	9.2
Hedging reserve		**(0.7)**	(1.2)	0.1
Own shares		**(36.9)**	(44.5)	(43.3)
Capital redemption reserve		**2.3**	2.3	2.3
Retained earnings		**475.4**	460.0	476.0
Total equity		**462.9**	403.8	445.2

Consolidated statement of changes in equity

	Unaudited				
	Called-up share capital	Other reserve	*Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m	£m
At 1 January 2022	23.4	(22.5)	(75.3)	441.5	367.1
Comprehensive income					
Profit after taxation for the period	-	-	-	30.8	30.8
Other comprehensive income/(expense)					
Exchange gains on foreign currency translation (note 20)	-	-	18.9	-	18.9
Net fair value losses – cash flow hedges	-	-	(2.8)	-	(2.8)
Actuarial gain on retirement benefit asset	-	-	-	0.9	0.9
Tax charge on other comprehensive income	-	-	-	(0.2)	(0.2)
Total other comprehensive income	-	-	16.1	0.7	16.8
Total comprehensive income for the period	-	-	16.1	31.5	47.6
Transactions with owners					
Share-based payment adjustment to reserves	-	-	-	2.4	2.4
Purchase of own shares	-	-	(0.4)	-	(0.4)
Shares granted from treasury and employee trust	-	-	2.5	(2.5)	-
Dividends paid to Company shareholders	-	-	-	(12.9)	(12.9)
At 30 June 2022	23.4	(22.5)	(57.1)	460.0	403.8
	Audited				
At 1 January 2022	23.4	(22.5)	(75.3)	441.5	367.1
Comprehensive income:					
Profit after taxation for the year	-	-	-	56.8	56.8
Other comprehensive income/(expense):					
Exchange gains on foreign currency translation (note 20)	-	-	41.8	-	41.8
Net fair value losses – cash flow hedges	-	-	(2.3)	-	(2.3)
Actuarial loss on retirement benefit obligation	-	-	-	(3.8)	(3.8)
Tax credit on other comprehensive expense	-	-	0.8	0.9	1.7
Total other comprehensive income/(expense)	-	-	40.3	(2.9)	37.4
Total comprehensive income for the year	-	-	40.3	53.9	94.2
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	3.2	3.2
Shares acquired by employee trust	-	-	(0.4)	-	(0.4)
Shares granted from treasury and employee trust	-	-	3.7	(3.7)	-
Dividends paid to Company shareholders	-	-	-	(18.9)	(18.9)
At 31 December 2022	23.4	(22.5)	(31.7)	476.0	445.2

Consolidated statement of changes in equity (continued)

	Unaudited				
	Called-up share capital £m	Other reserve £m	*Other reserves £m	Retained earnings £m	Total equity £m
At 1 January 2023	**23.4**	**(22.5)**	**(31.7)**	**476.0**	**445.2**
Comprehensive income					
Profit after taxation for the period	-	-	-	18.7	18.7
Other comprehensive income/(expense)					
Exchange gains on foreign currency translation (note 20)	-	-	12.7	-	12.7
Net fair value losses – cash flow hedges	-	-	(0.8)	-	(0.8)
Actuarial loss on retirement benefit asset	-	-	-	(1.2)	(1.2)
Tax credit on other comprehensive income	-	-	-	0.3	0.3
Total other comprehensive income/(expense)	-	-	11.9	(0.9)	11.0
Total comprehensive income for the period	-	-	11.9	17.8	29.7
Transactions with owners					
Share-based payment adjustment to reserves	-	-	-	2.9	2.9
Purchase of own shares	-	-	(0.3)	-	(0.3)
Shares granted from treasury and employee trust	-	-	6.7	(6.7)	-
Dividends paid to Company shareholders	-	-	-	(14.6)	(14.6)
At 30 June 2023	**23.4**	**(22.5)**	**(13.4)**	**475.4**	**462.9**

* Includes foreign exchange reserve, hedging reserve, own shares and capital redemption reserve.

Consolidated cash flow statement

	Notes	**Unaudited Six months ended 30 June 2023 £m**	Unaudited Six months ended 30 June 2022 £m	Audited Year ended 31 December 2022 £m
Cash flows from operating activities				
Cash generated from operating activities	19	**85.1**	23.0	58.8
Finance costs paid		**(23.3)**	(15.3)	(65.2)
Income tax (paid)/received		**(22.6)**	(9.0)	5.5
Net cash generated from/(used in) operating activities		**39.2**	(1.3)	(0.9)
Cash flows used in investing activities				
Purchases of intangible assets	10	**(7.5)**	(5.4)	(14.7)
Purchases of property, plant and equipment	11	**(1.6)**	(6.0)	(9.1)
Proceeds from sale of property, plant and equipment		**-**	0.2	0.3
Net cash used in investing activities		**(9.1)**	(11.2)	(23.5)
Net cash generated from/(used in) operating and investing activities		**30.1**	(12.5)	(24.4)
Cash flows from financing activities				
Proceeds from borrowings		**11.9**	31.4	99.3
Repayment of borrowings		**(44.9)**	(0.3)	(43.6)
Principal elements of lease payments	12	**(5.7)**	(4.5)	(9.2)
Shares acquired by employee trust		**(0.3)**	(0.4)	(0.4)
Dividends paid to equity shareholders		**(14.6)**	(12.9)	(18.9)
Cash received on options exercised		**0.3**	-	-
Net cash (used in)/generated from financing activities		**(53.3)**	13.3	27.2
Net (decrease)/increase in cash and cash equivalents		**(23.2)**	0.8	2.8
Cash and cash equivalents at beginning of period		**50.7**	41.7	41.7
Exchange gains on cash and cash equivalents		**0.7**	1.2	6.2
Cash and cash equivalents at end of period		**28.2**	43.7	50.7

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with the Disclosure and Transparency Rules ('DTR') of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the United Kingdom. These condensed consolidated interim financial statements should be read in conjunction with the Annual Report and Financial Statements ('the Financial Statements') for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. These condensed consolidated interim financial statements were approved for release on 1 August 2023.

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Financial Statements for the year ended 31 December 2022 were approved by the Board on 1 March 2023 and delivered to the Registrar of Companies. The Financial Statements contained an unqualified audit report and did not include an emphasis of matter paragraph or any statement under Section 498 of the Companies Act 2006. The Financial Statements are available on the Group's website (www.ipfin.co.uk).

The accounting policies applied to prepare these condensed consolidated interim financial statements are consistent with those applied to the most recent full year Financial Statements for the year ended 31 December 2022.

We operate a formal risk management process, the details of which are set out on page 58 of the Financial Statements for the year ended 31 December 2022. Details of our principal risks can be found on pages 60 to 62 of the Financial Statements.

The risks assessed in preparing these condensed consolidated interim financial statements are consistent with those assessed in the most recent full year Financial Statements for the year ended 31 December 2022.

Board members

As at 30 June 2023, the Group's Board members were as follows:

Stuart Sinclair	Chairman
Gerard Ryan	Executive Director and Chief Executive Officer
Gary Thompson	Executive Director and Chief Financial Officer
Katrina Cliffe	Independent non-executive director
Deborah Davis	Independent non-executive director
Richard Holmes	Senior independent non-executive director
Aileen Wallace	Independent non-executive director

Going concern

In considering whether the Group is a going concern, the Board has taken into account the Group's financial forecasts and its principal risks (with particular reference to funding, liquidity and regulatory risks). The forecasts have been prepared for the two years to 31 December 2024 and include projected profit and loss, balance sheet, cashflows, borrowings, headroom against debt facilities and funding requirements. These forecasts represent the best estimate of the businesses performance, and in particular the evolution of customer lending and repayment cash flows as well as management's best assumption regarding the renewal/extension of maturing financing facilities.

The financial forecasts have been stress tested in a range of downside scenarios to assess the impact on future profitability, funding requirements and covenant compliance. The scenarios reflect the crystallisation of the Group's principal risks (with particular reference to funding, liquidity and regulatory risks). Consideration has also been given to multiple risks crystallising concurrently and the availability of mitigating actions that could be taken to reduce the impact of the identified risks. In addition, a reverse stress test on the financial forecasts was undertaken to assess the extent to which a recession would need to impact operational performance in order to breach a covenant. This showed that net revenue would need to deteriorate significantly from the financial forecast and the Directors have a reasonable expectation that it is unlikely to deteriorate to this extent.

At 30 June 2023, the Group had £84m of non-operational cash and headroom against its debt facilities (comprising a range of bonds and bank facilities), which have a weighted average maturity of 2.1 years. Total debt facilities as at 30 June 2023 amounted to £609m of which £87m (excluding £32m of uncommitted loans which do not require extension) is due for renewal over the following 12 months. A combination of these debt facilities, the embedded business flexibility in respect of cash generation and a successful track record of accessing funding from debt capital markets over a long period (including periods with challenging macroeconomic conditions and a changing regulatory environment), are expected to meet the Group's funding requirements for the foreseeable future (12 months from the date of approval of this report). Taking these factors into account, together with regulatory risks set out on pages 60-62 of the 2022 Annual Report and Financial Statements, 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 the half-year 2023 financial report.

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2023 but do not have any material impact on the Group:

- IFRS 17 'Insurance contracts'
- Amendments to IAS 12 'Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction' and 'International Tax Reform – Pillar Two Model Rules'
- Amendments to IAS 1 'Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies'
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates'

As referred to in Note 13, in accordance with the amendment to IAS12 in respect of the Pillar Two Model Rules, the Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

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

- IFRS16 ‘Lease liability in a sale and leaseback’
- IAS 1 ‘Non-current liabilities with covenants’
- IAS 1 ‘Classification of liabilities as current or non-current’.

Exceptional items

Exceptional items are items that are unusual because of their size, nature or incidence and which the directors consider should be disclosed separately to enable a full understanding of the Group’s underlying results.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed consolidated interim financial statements requires the Group to make estimates and judgements that affect the application of policies and reported accounts.

Critical judgements represent key decisions made by management in the application of the Group accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a critical accounting estimate. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Key sources of estimation uncertainty
In the application of the Group’s accounting policies, the directors are required to make estimations that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical estimations, that the directors have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognised in these condensed consolidated interim financial statements.

Revenue recognition
The estimate used in respect of revenue recognition is the methodology used to calculate the EIR. In order to determine the EIR applicable to loans an estimate must be made of the expected life of each loan and hence the cash flows relating thereto. These estimates are based on historical data and are reviewed regularly.

Amounts receivable from customers

The Group reviews its portfolio of customer loans and receivables for impairment on a weekly or monthly basis. The Group reviews the most recent customer repayment performance to determine whether there is objective evidence which indicates that there has been an adverse effect on expected future cash flows. For the purposes of assessing the impairment of customer loans and receivables, customers are categorised into stages based on days past due as this is considered to be the most reliable predictor of future payment performance. The level of impairment is calculated using historical payment performance to generate both the estimated expected loss and also the timing of future cash flows for each agreement. The expected loss is calculated using probability of default ('PD') and loss given default ('LGD') parameters.

Impairment models are monitored regularly to test their continued capability to predict the timing and quantum of customer repayments in the context of the recent customer payment performance. The models used typically have a strong predictive capability reflecting the relatively stable nature of the business and therefore the actual performance does not usually vary significantly from the estimated performance. The models are ordinarily updated at least twice per year. Where we expect the models to show an increase in the expected loss or a slowing of the future cashflows in the following 12 months, we apply an adjustment to the models. At 30 June 2023, this adjustment was a reduction in receivables of £12.5m (30 June 2022: reduction of £13.0m, 31 December 2022: reduction of £11.6m).

Post model overlays (PMOs) on amounts receivable from customers

	Unaudited 30 June 2023 £m	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Home credit	**20.6**	23.3	21.8
IPF Digital	**3.1**	2.7	3.1
Total	**23.7**	26.0	24.9

To date there has been no discernible impact on customer repayments as a result of the cost-of-living crisis. However, inflation rates remain high, government support packages are expected to be less generous this winter than the previous winter and it is also believed that customer savings from the Covid-19 lockdowns have diminished significantly. This leaves customers more financially exposed to high energy prices in the coming winter. As a result, there still remains a risk that the cost-of-living crisis will have a significant adverse impact on our customers' disposable income and therefore their ability to make repayments. The PMO related to the cost-of-living at June 2023 is £20.8m (31 December 2022: £20.6m). In order to calculate this PMO, country-specific expert knowledge, informed by economic forecast data to estimate the increase in losses, has been used. This represents management's current assessment of a reasonable outcome from the cost-of-living crisis.

The Hungarian debt moratorium, which initially began in March 2020, ended in December 2022. There remains a small proportion of the portfolio that has at some point been in the moratorium. Given the age of these loans, PMOs have been applied to the impairment models in order to calculate the continued risks that are not fully reflected in the standard impairment models. Based on management's current expectations, the impact of these PMOs was to increase impairment provisions at 30 June 2023 to £2.9m (31 December 2022: £4.3m). In order to calculate the PMO, the portfolio was segmented by analysis of the most recent payment performance and, using this information, assumptions were made around expected credit losses. This represents management's current assessment of a reasonable outcome from the actual repayment performance on the debt moratorium impacted portfolio.

Tax
Estimations must be exercised in the calculation of the Group's tax provision, in particular with regard to the existence and extent of tax risks.

Deferred tax assets arise from timing differences between the accounting and tax treatment of revenue and impairment transactions and tax losses. Estimations must be made regarding the extent to which timing differences reverse and an assessment must be made of the extent to which future profits will be generated to absorb tax losses. A shortfall in profitability compared to current expectations may result in future adjustments to deferred tax asset balances.

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

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

Each of the APMs used by the Group is set out on pages 43 to 49 including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant.

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

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

2. Related parties

The Group has not entered into any material transactions with related parties in the first six months of the year.

3. Segment analysis

	Unaudited Six months ended 30 June 2023 £m	Unaudited Six months ended 30 June 2022 £m	Audited Year ended 31 December 2022 £m
Revenue			
European home credit	**192.2**	148.8	317.5
Mexico home credit	**125.4**	93.1	210.9
IPF Digital	**62.4**	55.5	117.1
Revenue	**380.0**	297.4	645.5
Impairment			
European home credit	**27.1**	1.1	5.2
Mexico home credit	**44.0**	31.0	75.5
IPF Digital	**18.1**	11.2	26.0
Impairment	**89.2**	43.3	106.7
Profit before taxation			
European home credit	**30.3**	29.6	65.6
Mexico home credit	**11.4**	7.4	17.7
IPF Digital	**4.1**	4.5	8.8
UK costs[1]	**(8.0)**	(7.7)	(14.7)
Profit before taxation	**37.8**	33.8	77.4
Segment assets			
European home credit	**591.8**	560.6	590.3
Mexico home credit	**276.4**	227.1	255.6
IPF Digital	**248.5**	230.8	248.4
UK[2]	**56.8**	69.2	76.8
Total	**1,173.5**	1,087.7	1,171.1
Segment liabilities			
European home credit	**320.4**	306.3	348.8
Mexico home credit	**126.4**	108.4	124.2
IPF Digital	**129.4**	102.4	123.4
UK[2]	**134.4**	166.8	129.5
Total	**710.6**	683.9	725.9

[1] Although UK costs are not classified as a separate segment in accordance with IFRS 8 'Operating Segments', they are shown separately in order to provide a reconciliation to other operating costs; administrative expenses and profit before taxation.

[2] Although the UK is not classified as a separate segment in accordance with IFRS 8 'Operating Segments', it is shown separately above in order to provide a reconciliation to consolidated total assets and liabilities.

4. Interest expense

	Unaudited Six months ended 30 June 2023 £m	Unaudited Six months ended 30 June 2022 £m	Audited Year ended 31 December 2022 £m
Interest payable on borrowings	**36.9**	29.3	66.5
Interest payable on lease liabilities	**1.0**	0.7	1.6
Interest expense	**37.9**	30.0	68.1

5. Tax expense

The taxation charge on the profit for the first six months of 2023 £15.1m (2022 £13.5m), has been based on an expected effective tax rate for 2023 of 40% (2022 40%).

The exceptional tax charge of £4.0m is detailed in note 8.

The Group is subject to tax audits in respect of the Mexican home credit business (regarding 2017) and in respect of the Polish digital business (regarding 2019).

6. Earnings per share

	Unaudited Six months ended 30 June 2023 pence	Unaudited Six months ended 30 June 2022 pence	Audited Year ended 31 December 2022 pence
Basic EPS	**8.4**	13.9	25.6
Dilutive effect of awards	**(0.4)**	(0.7)	(1.3)
Diluted EPS	**8.0**	13.2	24.3

Basic earnings per share ('EPS') for the six months ended 30 June 2023 is calculated by dividing the profit attributable to shareholders of £18.7m (six months ended 30 June 2022: £30.8m, 31 December 2022: £56.8m) by the weighted average number of shares in issue during the period of 223.4m which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (six months ended 30 June 2022: 222.0m, 31 December 2022: 222.2m).

For diluted EPS for the six months ended 30 June 2023, the weighted average number of shares has been adjusted to 235.2m (six months ended 30 June 2022: 233.6m, 31 December 2022: 234.0m) to assume conversion of all dilutive potential ordinary share options relating to employees of the Group.

7. Dividends

Reflecting the confidence in executing the Group's strategy and realising the long-term growth potential of the business, the Board is pleased to declare a 15% increase in the interim dividend to 3.1 pence per share. This is in line with our progressive dividend policy which sets the interim dividend payment at 33% of the prior year's full dividend payment. The interim dividend will be paid on 29 September 2023 to shareholders on the register at the close of business on 1 September 2023. The shares will be marked ex-dividend on 31 August 2023.

8. Exceptional tax items

	Unaudited Six months ended 30 June 2023 £m	Unaudited Six months ended 30 June 2022 £m	Audited Year ended 31 December 2022 £m
Benefit of Polish Supreme Administrative Court decision	**-**	30.9	30.9
Decision of the General Court of the EU on State Aid	**-**	(15.3)	(15.3)
Temporary Hungarian extra profit special tax	**(4.0)**	(5.1)	(5.1)
Exceptional tax items	**(4.0)**	10.5	10.5

Further information relating to the exceptional tax items is shown on page 16.

9. Goodwill

	Unaudited 30 June 2023 £m	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Net book value at start of period	**24.2**	22.9	22.9
Exchange adjustments	**(0.8)**	0.5	1.3
Net book value at end of period	**23.4**	23.4	24.2

Goodwill is tested annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount is determined from a value in use calculation, based on the expected cash flows resulting from the legacy MCB business' outstanding customer receivables and taking into account the collect out of the Finnish business. The key assumptions used in the value in use calculation relate to the discount rates and cash flows used. The rate used to discount the forecast cash flows is 13% (30 June 2022: 13% and 31 December 2022: 12%) and would need to increase to 15% for the goodwill balance to be impaired; the cashflow forecasts arise over a 1-4 year period and would need to be 13% lower than currently estimated for the goodwill balance to be impaired.

10. Intangible assets

	Unaudited 30 June 2023 £m	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Net book value at start of period	**27.9**	25.2	25.2
Additions	**7.5**	5.4	14.7
Amortisation	**(6.3)**	(5.9)	(12.6)
Exchange adjustments	**(0.4)**	0.2	0.6
Net book value at end of period	**28.7**	24.9	27.9

Intangible assets comprise computer software and are a mixture of self-developed and purchased assets. All purchased assets have had further capitalised development on them, meaning it is not possible to disaggregate fully between the relevant intangible categories.

11. Property, plant and equipment

	Unaudited 30 June 2023 £m	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Net book value at start of period	**17.3**	13.8	13.8
Exchange adjustments	**0.4**	0.3	0.8
Additions	**1.6**	6.0	9.1
Disposals	**-**	(0.2)	(0.2)
Depreciation	**(3.2)**	(3.0)	(6.2)
Net book value at end of period	**16.1**	16.9	17.3

As at 30 June 2023, the Group had £4.7m of capital expenditure commitments with third parties that were not provided for (30 June 2022: £4.4m; 31 December 2022: £4.5m).

12. Right-of-use assets and lease liabilities

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

	Unaudited 30 June 2023 £m	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Properties	**12.4**	12.6	13.6
Motor vehicles	**7.0**	5.8	5.7
Equipment	**-**	0.1	-
Total right-of-use assets	**19.4**	18.5	19.3

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

	Unaudited 30 June 2023 £m	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Net book value at start of period	**19.3**	17.7	17.7
Exchange adjustments	**0.8**	0.8	1.4
Additions	**3.9**	4.0	8.8
Modifications	**-**	-	(0.1)
Depreciation	**(4.6)**	(4.0)	(8.5)
Net book value at end of period	**19.4**	18.5	19.3

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

	Unaudited 30 June 2023 £m	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Lease liabilities at start of period	**21.4**	18.7	18.7
Exchange adjustments	**0.8**	0.8	1.6
Additions	**3.9**	4.0	8.7
Interest	**1.0**	0.7	1.6
Lease payments	**(5.7)**	(4.5)	(9.2)
Lease liabilities at end of period	**21.4**	19.7	21.4

Analysed as:

	Unaudited 30 June 2023 £m	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Current	**8.1**	6.9	7.2
Non-current:			
- between one and five years	**11.8**	10.9	12.2
- greater than five years	**1.5**	1.9	2.0
	13.3	12.8	14.2
Lease liabilities at end of period	**21.4**	19.7	21.4

13. 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. On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15% consistent with the OECD's model Pillar Two rules. The UK legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group is assessing the potential impact of the new rules and has applied the exception under the IAS 12 amendment to not recognise deferred tax assets or liabilities in relation to Pillar Two. Under the IAS12 amendment there is no requirement to disclose additional information about potential future Pillar Two top-up income taxes.

14. Amounts receivable from customers

Amounts receivable from customers comprise:

	Unaudited 30 June 2023 £m	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Amounts due within one year	**691.6**	590.7	656.6
Amounts due in more than one year	**201.5**	179.2	212.2
Total receivables	**893.1**	769.9	868.8

All lending is in the local currency of the country in which the loan is issued. The currency profile of amounts receivable from customers is as follows:

	Unaudited 30 June 2023 £m	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Polish zloty	**257.4**	259.8	278.9
Czech crown	**55.0**	48.4	56.1
Euro*	**90.1**	83.0	90.5
Hungarian forint	**143.2**	105.1	125.4
Romanian leu	**93.9**	76.8	89.1
Mexican peso	**213.5**	163.3	188.7
Australian dollar	**40.0**	33.5	40.1
Total receivables	**893.1**	769.9	868.8

*Includes receivables in Estonia, Finland, Latvia, Lithuania and Spain.

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 100.1% (30 June 2022: 96%, 31 December 2022: 99%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 12.7 months (30 June 2022: 12.6 months, 31 December 2022: 13.0 months).

Determining an increase in credit risk since initial recognition

IFRS 9 has the following recognition criteria:

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

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

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

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

Definition of default and credit impaired assets

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

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

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

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

The breakdown of receivables by stage is as follows:

30 June 2023	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total net receivables £m**
Home credit	**446.6**	**81.5**	**153.4**	**681.5**
IPF Digital	**196.5**	**8.6**	**6.5**	**211.6**
Group	**643.1**	**90.1**	**159.9**	**893.1**

30 June 2022	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total net receivables £m
Home credit	387.3	66.1	128.8	582.2
IPF Digital	174.3	8.2	5.2	187.7
Group	561.6	74.3	134.0	769.9

31 December 2022	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total net receivables £m
Home credit	439.7	78.9	140.9	659.5
IPF Digital	193.7	9.4	6.2	209.3
Group	633.4	88.3	147.1	868.8

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

Gross carrying amount and loss allowance

The amounts receivable from customers includes a provision for the loss allowance, which relates to the expected credit losses on each agreement. The gross carrying amount is the present value of the portfolio before the loss allowance provision is deducted. The gross carrying amount less the loss allowance is equal to the net receivables.

30 June 2023	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total net receivables £m**
Gross carrying amount	**795.8**	**169.0**	**442.6**	**1,407.4**
Loss allowance	**(152.7)**	**(78.9)**	**(282.7)**	**(514.3)**
Group	**643.1**	**90.1**	**159.9**	**893.1**

30 June 2022	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total net receivables £m
Gross carrying amount	695.6	138.2	399.1	1,232.9
Loss allowance	(134.0)	(63.9)	(265.1)	(463.0)
Group	561.6	74.3	134.0	769.9

31 December 2022	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total net receivables £m
Gross carrying amount	782.0	161.8	422.8	1,366.6
Loss allowance	(148.6)	(73.5)	(275.7)	(497.8)
Group	633.4	88.3	147.1	868.8

15. Current tax asset

As at 30 June 2022, the current tax asset included the recognition of amounts receivable following the Group's Polish subsidiary successfully obtaining a Ministry of Finance ruling confirming the tax deductibility of certain expenses linked to intra-group transactions in respect of years 2018 onwards.

16. Borrowing facilities and borrowings

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

	Unaudited 30 June 2023 £m	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Repayable			
- in less than one year	**59.5**	28.6	71.8
- between one and two years	**65.0**	89.0	57.1
- between two and five years	**398.5**	390.0	419.9
	463.5	479.0	477.0
Total borrowings	**523.0**	507.6	548.8

Borrowings are stated net of deferred debt issuance costs of £4.8m (30 June 2022: £5.6m; 31 December 2022: £5.4m).

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

	Unaudited 30 June 2023 £m	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Repayable			
- on demand	**32.5**	34.3	31.6
- in less than one year	**87.5**	35.0	84.7
- between one and two years	**70.6**	105.1	57.4
- between two and five years	**418.8**	396.8	437.3
Total facilities	**609.4**	571.2	611.0

The undrawn external bank facilities are as follows:

	Unaudited 30 June 2023 £m	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Expiring within one year	**60.3**	40.7	44.5
Expiring between one and two years	**4.5**	15.3	0.3
Expiring in more than two years	**16.8**	2.0	12.0
Total	**81.6**	58.0	56.8

Undrawn external facilities above do not include unamortised arrangement fees.

The average period to maturity of the Group's external bonds and committed external borrowings is 2.1 years (30 June 2022: 2.5 years; 31 December 2022: 2.5 years).

The Group complied with its covenants at 30 June 2023. Each covenant calculation has been made in accordance with the terms of the relevant funding documentation.

17. Retirement benefit asset

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

	Unaudited 30 June 2023 £m	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Diversified growth funds	**4.7**	5.8	4.6
Corporate bonds	**11.0**	15.5	14.5
Liability driven investments	**12.5**	17.0	11.7
Other	**0.7**	0.6	0.1
Total fair value of scheme assets	**28.9**	38.9	30.9
Present value of funded defined benefit obligations	**(28.0)**	(32.2)	(28.8)
Net asset recognised in the balance sheet	**0.9**	6.7	2.1

The charge recognised in the income statement in respect of defined benefit pension costs is £nil (6 months ended 30 June 2022: £nil, 12 months ended 31 December 2022: £0.1m).

18. Fair values of financial assets and liabilities

IFRS 13 requires disclosure of fair value measurements of 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).

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.

In 2022 and 2023, there has been no change in classification of financial assets as a result of a change in purpose or use of these assets.

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:

	Carrying value			**Fair value**		
	Unaudited 30 June 2023 £m	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m	**Unaudited 30 June 2023 £m**	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Financial assets						
Amounts receivable from customers	**893.1**	769.9	868.8	**1,122.8**	992.6	1,111.2
	893.1	769.9	868.8	**1,122.8**	992.6	1,111.2
Financial liabilities						
Bonds	**408.7**	402.1	413.7	**373.1**	319.1	358.2
Bank borrowings	**114.3**	105.5	135.1	**114.3**	105.5	135.1
	523.0	507.6	548.8	**487.4**	424.6	493.5

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 customer representative repayment costs, at the Group's weighted average cost of capital which we estimate to be 13% (30 June 2022: 13%; 31 December 2022: 12%) which is assumed to be a proxy for the discount rate that a market participant would use to price the asset.

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. This methodology has been used consistently for all periods.

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

	Unaudited Six months ended 30 June 2023 £m	Unaudited Six months ended 30 June 2022 £m	Audited Year ended 31 December 2022 £m
Profit after taxation from operations	**18.7**	30.8	56.8
Adjusted for			
Tax charge	**19.1**	3.0	20.6
Finance costs	**37.9**	30.0	68.1
Share-based payment charge	**1.4**	1.4	2.2
Amortisation of intangible assets (note 10)	**6.3**	5.9	12.6
Profit on disposal of property, plant and equipment	**-**	-	(0.1)
Depreciation of property, plant and equipment (note 11)	**3.2**	3.0	6.2
Depreciation of right-of-use assets (note 12)	**4.6**	4.0	8.5
Short term and low value lease costs	**0.9**	0.6	1.2
Changes in operating assets and liabilities			
Amounts receivable from customers	**(8.3)**	(36.9)	(115.7)
Other receivables	**1.0**	(0.5)	13.2
Trade and other payables	**(9.5)**	(7.8)	(3.8)
Provision for liabilities and charges	**(1.2)**	(2.8)	(0.9)
Retirement benefit asset	**-**	(0.9)	(1.0)
Derivative financial instruments	**11.0**	(6.8)	(9.1)
Cash generated from operating activities	**85.1**	23.0	58.8

20. 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 H1 2023	**Closing June 2023**	Average H1 2022	Closing June 2022	Average Year 2022	Closing December 2022
Polish zloty	**5.3**	**5.2**	5.5	5.4	5.5	5.3
Czech crown	**27.1**	**27.5**	29.1	28.7	28.5	27.2
Euro	**1.1**	**1.2**	1.2	1.2	1.2	1.1
Hungarian forint	**433.2**	**430.0**	443.6	464.9	452.3	450.8
Romanian leu	**5.7**	**5.8**	5.9	5.8	5.8	5.6
Mexican peso	**22.2**	**21.8**	26.2	24.8	24.6	23.5
Australian dollar	**1.8**	**1.9**	1.8	1.8	1.8	1.8

The £12.7m exchange gain on foreign currency translations shown within the consolidated 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 2022 and June 2023 shown in the table above.

21. Post balance sheet events

There were no significant post balance sheet events.

Responsibility statement

The following statement is given by each of the directors: namely; Stuart Sinclair, Chairman; Gerard Ryan, Chief Executive Officer; Gary Thompson, Chief Financial Officer; Katrina Cliffe, non-executive director; Deborah Davis, non-executive director; Richard Holmes, Senior independent non-executive director; and Aileen Wallace, non-executive director.

The directors confirm that to the best of their knowledge:

- the condensed consolidated interim financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R;
- the half-year financial report includes a fair review of the information required by DTR 4.2.7 (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the half-year financial report includes a fair review of the information required by DTR 4.2.8 (disclosure of related parties’ transactions and changes therein).

Alternative performance measures (APMs)

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

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Income statement measures			
Customer lending growth (%)	None	Not applicable	Customer lending is the principal value of loans advanced to customers and is an important measure of the level of lending in the business. Customer lending growth is the period-on-period change in this metric which is calculated by retranslating the previous half-year’s customer lending at the average actual exchange rates used in the current financial year. This ensures that the measure is presented having eliminated the effects of exchange rate fluctuations on the period-on-period reported results.
Revenue growth at constant exchange rates (%)	None	Not applicable	The period-on-period change in revenue which is calculated by retranslating the previous half-year’s revenue at the average actual exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results.
Revenue yield (%)	None	Not applicable	Revenue yield is reported revenue divided by average gross receivables (before impairment provision) and is an indicator of the return being generated from average gross receivables. This is reported on a rolling annual basis (annualised).
Impairment rate (%)	None	Not applicable	Impairment as a percentage of average gross receivables (before impairment provision). This is reported on a rolling annual basis (annualised).
Cost-income ratio (%)	None	Not applicable	The cost-income ratio is costs, including customer representatives’ commission, excluding interest expense, divided by reported revenue. This measure is reported on a rolling annual basis (annualised). This is useful for comparing performance across markets.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Balance sheet and returns measures			
Equity to receivables ratio (%)	None	Not applicable	Total equity divided by amounts receivable from customers, this is a measure of balance sheet strength and the Group targets a ratio of around 40%
Headroom (£m)	Undrawn external bank facilities	None	Calculated as the sum of undrawn external bank facilities and non-operational cash.
Net debt (£m)	None	Not applicable	Borrowings less cash.
Gross receivables (£m)	None	Not applicable	Gross receivables is the same definition as gross carrying amount.
Impairment coverage ratio (%)	None	Not applicable	Expected loss allowance divided by gross receivables (before impairment provision).
Pre-exceptional ROE (%)	None	Not applicable	Return on equity (ROE) calculated as rolling annual pre-exceptional profit after tax divided by average net assets over the same period.
Pre-exceptional RORE (%)	None	Not applicable	Return on required equity (RORE) is calculated as rolling annual pre-exceptional profit after tax divided by required equity of 40% of average net receivables.
Other measures			
Customers	None	Not applicable	Customers that are being served by our customer representatives or through our money transfer product in the home credit business and customers that are not in default in our digital business.

Constant exchange rate reconciliations

The period-on-period change in profit and loss accounts is calculated by retranslating the 2022 half-year's profit and loss account at the average actual exchange rates used in the current year.

H1 2023

£m	**European home credit**	**Mexico home credit**	**IPF Digital**	**Central costs**	**Group**
Customer numbers (000s)	**785**	**700**	**233**	**-**	**1,718**
Customer lending	**318.3**	**142.9**	**117.6**	**-**	**578.8**
Average gross receivables	**792.5**	**274.8**	**275.9**	**-**	**1,343.2**
Closing net receivables	**505.4**	**176.1**	**211.6**	**-**	**893.1**
Revenue	**192.2**	**125.4**	**62.4**	**-**	**380.0**
Impairment	**(27.1)**	**(44.0)**	**(18.1)**	**-**	**(89.2)**
Revenue less impairment	**165.1**	**81.4**	**44.3**	**-**	**290.8**
Costs	**(110.8)**	**(64.1)**	**(32.2)**	**(8.0)**	**(215.1)**
Interest expense	**(24.0)**	**(5.9)**	**(8.0)**	**-**	**(37.9)**
Profit before tax	**30.3**	**11.4**	**4.1**	**(8.0)**	**37.8**

H1 2022 performance, at average H1 2022 foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customer numbers (000s)	786	676	256	-	1,718
Customer lending	288.1	116.4	108.8	-	513.3
Average gross receivables	722.0	201.2	247.4	-	1,170.6
Closing net receivables	441.4	140.8	187.7	-	769.9
Revenue	148.8	93.1	55.5	-	297.4
Impairment	(1.1)	(31.0)	(11.2)	-	(43.3)
Revenue less impairment	147.7	62.1	44.3	-	254.1
Costs	(99.0)	(50.4)	(33.3)	(7.6)	(190.3)
Interest expense	(19.1)	(4.3)	(6.5)	(0.1)	(30.0)
Profit before tax	29.6	7.4	4.5	(7.7)	33.8

Foreign exchange movements

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customer numbers (000s)	-	-	-	-	-
Customer lending	13.3	20.3	5.6	-	39.2
Average gross receivables	5.2	36.2	10.7	-	52.1
Closing net receivables	21.1	19.8	3.0	-	43.9
Revenue	6.5	16.1	3.0	-	25.6
Impairment	0.1	(5.2)	(0.9)	-	(6.0)
Revenue less impairment	6.6	10.9	2.1	-	19.6
Costs	(4.2)	(8.4)	(1.5)	-	(14.1)
Interest expense	(0.8)	(0.8)	(0.3)	-	(1.9)
Profit before tax	1.6	1.7	0.3	-	3.6

Constant exchange rate reconciliations (continued)

H1 2022 performance, at average H1 2023 foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customer numbers (000s)	786	676	256	-	1,718
Customer lending	301.4	136.7	114.4	-	552.5
Average gross receivables	727.2	237.4	258.1	-	1,222.7
Closing net receivables	462.5	160.6	190.7	-	813.8
Revenue	155.3	109.2	58.5	-	323.0
Impairment	(1.0)	(36.2)	(12.1)	-	(49.3)
Revenue less impairment	154.3	73.0	46.4	-	273.7
Costs	(103.2)	(58.8)	(34.8)	(7.6)	(204.4)
Interest expense	(19.9)	(5.1)	(6.8)	(0.1)	(31.9)

Year-on-year movement at constant exchange rates

%	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customer numbers (000s)	(0.1%)	3.6%	(9.0%)	-	-
Customer lending	5.6%	4.5%	2.8%	-	4.8%
Average gross receivables	9.0%	15.8%	6.9%	-	9.9%
Closing net receivables	9.3%	9.7%	11.0%	-	9.7%
Revenue	23.8%	14.8%	6.7%	-	17.6%
Impairment	(2,610.0%)	(21.5%)	(49.6%)	-	(80.9%)
Revenue less impairment	7.0%	11.5%	(4.5%)	-	6.2%
Costs	(7.4%)	(9.0%)	7.5%	(5.3%)	(5.2%)
Interest expense	(20.6%)	(15.7%)	(17.6%)	100.0%	(18.8%)

Balance sheet and returns measures

Average gross receivables (before impairment provisions) are used in the revenue yield and impairment rate calculations.

Average Gross Receivables	**Unaudited 30 June 2023 £m**	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
European home credit	**792.5**	722.0	747.5
Mexico home credit	**274.8**	201.2	239.0
IPF Digital	**275.9**	247.4	258.0
Group	**1,343.2**	1,170.6	1,244.5

The impairment coverage ratio is calculated as loss allowance divided by gross carrying amount.

Impairment coverage ratio	**Unaudited 30 June 2023 £m**	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Closing gross carrying amount	**1,407.4**	1,232.9	1,366.6
Loss allowance	**(514.3)**	(463.0)	(497.8)
Closing net receivables	**893.1**	769.9	868.8
Impairment coverage ratio	**36.5%**	37.6%	36.4%

Pre-exceptional return on equity (ROE) is calculated as rolling annual pre-exceptional profit divided by pre-exceptional equity.

Pre-exceptional ROE 30 June 2023	**Unaudited 30 June 2023 £m**	Unaudited 30 June 2022 £m	Audited 31 December 2022 £m
Equity (net assets)	**462.9**	403.8	445.2
Exceptional items	**4.0**	(10.5)	(10.5)
Pre-exceptional equity	**466.9**	393.3	434.7
Average pre-exceptional equity	**430.1**	378.2	400.9
Profit after tax	**18.7**	30.8	56.8
Exceptional items	**4.0**	(10.5)	(10.5)
Pre-exceptional profit	**22.7**	20.3	46.3
Pre-exceptional profit 12 months to 30 June 2023	**48.7**		-
Pre-exceptional ROE	**11.3%**		11.5%

Pre-exceptional ROE 30 June 2022	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Equity (net assets)	403.8	363.0	-
Exceptional items	(10.5)	-	-
Pre-exceptional equity	393.3	363.0	-
Average pre-exceptional equity	378.2	-	-
Profit after tax	30.8	22.9	41.9
Exceptional items	(10.5)	-	-
Pre-exceptional profit	20.3	22.9	41.9
Pre-exceptional profit 12 months to 30 June 2022	39.3		
Pre-exceptional ROE	10.4%		

Pre-exceptional return on required equity (RORE) is calculated as rolling annual pre-exceptional profit divided by required equity of 40% of average net receivables.

Pre-exceptional RORE 30 June 2023	European home credit £m	Mexico home credit £m	IPF Digital £m	Group £m
Closing net receivables H1 2022	**441.4**	**140.8**	**187.7**	**769.9**
Closing net receivables H1 2023	**505.4**	**176.1**	**211.6**	**893.1**
Average net receivables	**473.4**	**158.5**	**199.7**	**831.5**
Equity (net assets) at 40%	**189.4**	**63.4**	**79.9**	**332.6**
Pre-exceptional profit before tax:				
FY 2022	**65.6**	**17.7**	**8.8**	**77.4**
Exclude H1 2022	**(29.6)**	**(7.4)**	**(4.5)**	**(33.8)**
H2 2022	**36.0**	**10.3**	**4.3**	**43.6**
H1 2023	**30.3**	**11.4**	**4.1**	**37.8**
12 MO to H1 2023	**66.3**	**21.7**	**8.4**	**81.4**
Tax at 40%	**(26.5)**	**(8.7)**	**(3.4)**	**(32.6)**
Pre-exceptional profit after tax	**39.8**	**13.0**	**5.0**	**48.8**
Pre-exceptional RORE	**21.0%**	**20.5%**	**6.3%**	**14.7%**

Pre-exceptional RORE 30 June 2022	European home credit £m	Mexico home credit £m	IPF Digital £m	Group £m
Closing net receivables H1 2021	405.9	99.8	168.5	674.2
Closing net receivables H1 2022	441.4	140.8	187.7	769.9
Average net receivables	423.7	120.3	178.1	722.1
Equity (net assets) at 40%	169.5	48.1	71.2	288.8
Pre-exceptional profit before tax:				
FY 2021	54.5	18.4	8.7	67.7
Exclude H1 2021	(34.9)	(9.4)	(6.1)	(43.3)
H2 2021	19.6	9.0	2.6	24.4
H1 2022	29.6	7.4	4.5	33.8
12 MO to H1 2022	49.2	16.4	7.1	58.2
Tax at 38% H2 2021, 40% H1 2022	(19.3)	(6.4)	(2.8)	(22.8)
Pre-exceptional profit after tax	29.9	10.0	4.3	35.4
Pre-exceptional RORE	17.7%	20.8%	6.1%	12.3%

Pre-exceptional RORE 2022	European home credit £m	Mexico home credit £m	IPF Digital £m	Group £m
Closing net receivables 2022	501.0	158.5	209.3	868.8
Closing net receivables 2021	425.9	117.6	173.3	716.8
Average net receivables	463.4	138.1	191.3	792.8
Equity (net assets) at 40%	185.4	55.2	76.5	317.1
Pre-exceptional profit before tax	65.6	17.7	8.8	77.4
Tax at 40%	(26.2)	(7.1)	(3.5)	(31.1)
Pre-exceptional profit after tax	39.4	10.6	5.3	46.3
Pre-exceptional RORE	21.3%	19.2%	6.9%	14.6%

Independent review report to International Personal Finance plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 21.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group will be prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE (UK), however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the Group a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
1 August 2023