Annual Results Announcement and Statement of Dividends Year ended 31 December 2011

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International Personal Finance plc
Annual results announcement and statement of dividends
Year ended 31 December 2011

Highlights

- **Good growth in customer numbers, credit issued and receivables**
  - 9% growth in customers to 2.4 million, 12% growth in credit issued and 11% growth in average net receivables

- **Profit before tax increased by 9% to a record £100.5 million (2010: £92.1 million[(1)])**
  - Continued strong progress despite £23.6 million of additional funding and early settlement rebate costs
  - Revenue, net of increased cost of early settlement rebates of £13.3 million, increased by 7% to £649.5 million
  - Credit quality improved: impairment as a percentage of revenue reduced by 1.8 percentage points to 25.8% of revenue

- **Strong operational performances**
  - Poland, our largest market, delivered excellent results increasing profit by 35% to £66.0 million
  - Continued successful expansion in Romania, profit more than doubled to £4.1 million
  - Much improved second half performance in Mexico

- **Strong cash generation**
  - Equity to receivables increased to 58.5%
  - Balance sheet gearing reduced to 0.8 times

- **Return on equity increased from 22.2%[(2)] to 22.7%[(2)]**

- **Earnings per share increased by 9% to 28.6 pence[(2)] (2010: 26.1 pence[(3)])**

- **Proposed full year dividend increased by 13% to 7.1 pence per share**

Chairman, Christopher Rodrigues, commented:

"Despite challenging global economic conditions, IPF delivered record results in 2011 and has made an encouraging start to 2012. Whilst the economic background continues to be uncertain, we have good prospects for growth and are confident that the business will continue to perform well."

(1) 2010 excluding an exceptional charge of £3.9 million.
(2) Adjusted to a constant 28% tax rate.
(3) Adjusted to a constant 28% tax rate and in 2010 excluding an exceptional charge of £3.9 million.

This report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The report should not be relied on by any other party or for any other purpose. The report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Percentage change figures for all performance measures, other than profit or loss before taxation and earnings per share, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate (CER) for 2011 in order to present the underlying performance variance.

Summary

Profit before taxation was increased by 9% to a record £100.5 million, driven by good growth in customers and credit issued, improved credit quality and continued cost control. This allowed the business to make good progress despite the expected increase in funding costs following the 2010 refinancing and higher early settlement rebates ('ESRs') arising from the implementation of the EU Consumer Credit Directive ('CCD'), which together totalled £23.6 million.

Profit before taxation

The Group results are set out below:

	2011 £m	2010 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**2,406**	2,211	195	8.8	8.8
Credit issued	**844.5**	764.5	80.0	10.5	11.5
Average net receivables	**575.5**	522.0	53.5	10.2	10.7
Revenue (net of ESRs)	**649.5**	608.7	40.8	6.7	7.4
Impairment	**(167.7)**	(168.1)	0.4	0.2	(0.7)
	481.8	440.6	41.2	9.4	9.9
Finance costs	**(42.9)**	(33.9)	(9.0)	(26.5)	(28.1)
Agents' commission	**(72.9)**	(68.0)	(4.9)	(7.2)	(6.7)
Other costs	**(265.5)**	(246.6)	(18.9)	(7.7)	(8.8)
Profit before taxation*	**100.5**	92.1	8.4	9.1	

* 2010 stated before an exceptional charge of £3.9 million.

At the start of 2011 our key objective was to accelerate growth against a backdrop of improving economic conditions in all our markets. Our plan was to drive growth by recruiting more agents, increasing investment in marketing and by the selective easing of credit controls.

We increased agent numbers by 13% and marketing expenditure by £2.1 million, and this helped to deliver a 9% increase in customer numbers and an 11% increase in average net receivables for the full year. As the global economic environment deteriorated in the second half of the year and consumer confidence in our European markets weakened, increased caution amongst European agents and customers led to a slowdown in growth for the Group, as shown in the table below:

	Q1	Q2	Q3	Q4	Full year
Growth in credit issued	8.6%	19.7%	12.9%	5.6%	11.5%

Achieving the right balance between growth and credit quality can be challenging and we were pleased that alongside stronger growth we were able to reduce the Group impairment charge as a percentage of revenue by 1.8 percentage points to 25.8%.

As expected, following last year's refinancing which delivered longer term, diversified debt funding, finance costs increased sharply, up by 28% to £42.9 million.

Other costs increased in line with growth in the business, with around two thirds of the increase reflecting the additional investment in new branches and field management to increase our geographical penetration as well as additional marketing spend.

Early settlement rebates

As previously disclosed, the CCD was adopted by the European Council in May 2008 and has subsequently been implemented in each of our European markets. Poland was the last country to do so, in December 2011. The primary impact of the legislation on our business has been to require that we grant more generous ESRs to customers who choose to settle their loans before the end of the contractual term. In 2011, net of a price adjustment, ESR costs were £13.3 million more than in 2010. In 2012, Poland enters these new arrangements and we estimate an additional year-on-year ESR cost in the range of £10 million to £15 million, although the final outcome is uncertain, depending on customer behaviour and also on the outcome of a long-standing case with the Polish Office of Competition and Consumer Protection on our pre-CCD early settlement practices.

Segmental split of results

The following table shows the performance of each of our markets. We have shown the impacts of the higher ESR and funding costs and other non-recurring items to provide a better understanding of underlying performance:

	2011 reported profit £m	Additional ESR costs £m	Additional finance costs £m	Other non-recurring items £m	Underlying profit increase £m	2010 reported profit £m	Change on reported profit %
Poland	**66.0**	3.6	(3.9)	4.1 [1]	13.2	49.0	34.7
Czech-Slovakia	**37.8**	(6.3)	(2.3)	-	4.7	41.7	(9.4)
Hungary	**8.3**	(7.0)	(2.5)	-	8.7	9.1	(8.8)
Mexico	**1.5**	-	(0.9)	-	(1.1)	3.5	(57.1)
Romania	**4.1**	(3.6)	(0.7)	-	6.7	1.7	141.2
Central	**(17.2)**	-	-	(3.2) [2]	(1.1)	(12.9)	(33.3)
Total	**100.5**	(13.3)	(10.3)	0.9	31.1	92.1[3]	9.1

(1) Repayment of VAT costs from prior periods.
(2) Write-down of IT assets.
(3) Stated before an exceptional charge of £3.9 million.

Poland was the key driver of increased Group profit in 2011, reporting growth of 35% to £66.0 million. Its performance reflects good growth, stable credit quality and tight cost control, which resulted in strong underlying profit growth. This result also included a one-off credit to the income statement of £4.1 million, as a result of a refund of VAT overpaid in previous periods and a £3.6 million benefit from a price rise implemented to offset higher ESR costs, the introduction of which was unexpectedly delayed by the Polish government until December 2011.

The Czech-Slovakia business delivered a solid performance, although customer growth at 4% was less than we had targeted. Reported profit reduced by £3.9 million to £37.8 million due to significant increases in interest and ESR costs amounting to £8.6 million.

Hungary delivered both good growth and maintained excellent credit quality. However, after additional interest and ESR costs totalling £9.5 million, the business reported a profit of £8.3 million, which was £0.8 million lower than 2010.

In Mexico our key task in 2011 was to carry through the underlying improvements in operating and collections effectiveness we started in 2010. In the first half of the year a number of changes were made, in particular we embedded a new field management structure designed to reduce spans of control in the field and improve the supervision and support of our development managers and agents. Mexico’s first half profit reduced as a result of the additional costs from these changes. The benefits began to flow in the second half and we were able to combine accelerated growth with much improved credit quality with the result that second half profit was 29% above that for the same period of 2010. In addition, the changes made were instrumental in reducing impairment which, when stated as a percentage of revenue, improved by 6.3 percentage points to 30.2% for 2011 as a whole.

Our Romanian business, opened in 2006, continues to be on track with our original plan despite challenging local economic conditions. It reported an excellent result in 2011 with a £2.4 million increase in reported profit to £4.1 million, despite the impact of £4.3 million in higher ESR and interest costs. The main features of the result were continued strong customer growth together with improved credit quality.

Central costs increased by £4.3 million, including a one-off charge of £3.2 million to reduce the carrying value of our investment in handheld technology for agents and field staff. We successfully completed the trial of this technology in Hungary which proved the benefits of modernising the business in this way. Accordingly, we have decided to develop the technology in 2012 and to design revised working practices for subsequent roll-out across the business. Since the pilot commenced, more flexible and effective technology platforms have become available and we have therefore decided to write-down the carrying value of the technology deployed in the trial.

Taxation

The taxation charge for the year was £24.0 million (2010: £29.0 million). This represents a nine percentage point reduction in the effective tax rate to 24% and has arisen due to the impact that changes in the Hungarian corporate tax rate had on the Group's deferred tax asset. In 2010, the Hungarian government legislated to reduce the rate of corporation tax in Hungary from 19% to 10% effective from 2013, resulting in a one-off tax charge in 2010 of £4.4 million. This legislation was repealed in 2011 and there is a corresponding one-off reduction in this year's tax charge of £4.2 million due to an increase in the value of the Group's deferred tax asset. The effective tax rate for 2010 and 2011, ignoring the effect of the Hungarian deferred tax asset revaluations, was approximately 28%, and is expected to remain broadly at this level in 2012.

Dividend

Subject to shareholder approval, a final dividend of 4.1 pence per share will be payable which will bring the full year dividend to 7.1 pence per share, an increase of 13.2% (2010: 6.27 pence per share). This is consistent with our progressive dividend policy. The dividend will be paid on 1 June 2012 to shareholders on the register at the close of business on 20 April 2012. The shares will be marked ex-dividend on 18 April 2012.

Balance sheet and funding

The Group balance sheet continued to strengthen in 2011 and the level of equity compared with receivables was increased to 58.5% (2010: 54.5%). At 31 December 2011, the Group had net assets of £327.7 million (2010: £309.0 million) and receivables of £560.4 million (2010: £566.9 million). The average period of receivables outstanding at the year end was 4.9 months (2010: 5.0 months) with 99.1% of year end receivables due within one year (2010: 98.6%).

During the year the Group generated operating cash flow of £144.3 million (2010: £133.9 million) before funding a £61.6 million increase in net receivables. This strong cash flow meant that borrowings only increased by £4.3 million to £276.5 million, which compares with total available facilities of £447.9 million and gives headroom on facilities of £171.4 million. Gearing, calculated as borrowings divided by shareholders' equity, has reduced to 0.8 times (2010: 1.0 times).

The Board has reviewed the Group's capital structure with a view to maintaining an appropriate balance between capital efficiency and ensuring that there is sufficient capital to continue to expand the business and to withstand a severe recession. This review concluded that given the current, highly uncertain global economic conditions and based on its current funding and covenant structure, a ratio of equity to receivables of approximately 55% is appropriate for the Group. Due to the uncertain outlook for the global economy and wholesale funding markets there is no present intention to change our dividend policy or otherwise return surplus capital to shareholders.

Foreign exchange

Changes in foreign exchange rates had no significant impact on the 2011 profit compared with the previous year due to the profit hedging put in place in January 2011. There was however significant volatility in foreign exchange rates during 2011, particularly in the second half of the year, when our operating currencies weakened significantly against Sterling. Our policy is to hedge the translation of reported profit only within the reporting year. In accordance with this policy, in January 2012 we hedged the rates that will be used to translate 70% of 2012 forecast profit at an effective average rate that is approximately 17% adverse to the rates experienced in 2011. For further details on the exchange rates used see note 13.

The majority of the Group's net assets are denominated in our operating currencies and therefore their Sterling value fluctuates with changes in foreign exchange rates. In accordance with accounting standards, we have restated the opening foreign currency net assets at the year end exchange rate and this has resulted in a £40.2 million foreign exchange movement which has been charged to the foreign exchange reserve.

Regulation and legislation

The CCD has now been implemented in all of our European markets. As expected, ESR costs have increased as a result of more favourable early settlement rules for customers.

Following a review of practices in respect of customer early settlement rebates by the Office of Competition and Consumer Protection in Poland, the practices of the Group's Polish business were challenged in 2009 and subsequently, in April 2011, our rebate practices were found to be unfair. We disagree with the verdict and our appeal is in progress and a date for an appeal hearing is awaited. In the meantime, the revised rebate methodology we introduced in December 2011 to conform to the Polish CCD legislation has addressed the concerns raised for loans issued after this date. If our appeal fails, more generous rebates will also be payable on loans outstanding at the date of the appeal decision, some of which may pre-date the implementation of the CCD.

As previously announced, on 9 November 2011 the Hungarian parliament approved legislation to lower the maximum APR cap for loans. Although originally scheduled to become effective for loans issued on or after 1 January 2012, an amendment was approved in late December 2011, postponing the effective date to 1 April 2012. We have completed amendments to our product pricing and structure to meet the requirements of the new, lower APR cap. Whilst we cannot be certain as to the impact this may have on the future performance of our business, based on similar changes we have made in the past in other countries we do not expect a material impact on the prospects of our Hungarian business.

Management changes

As we announced on 17 January 2012, Gerard Ryan was appointed to the Board as Chief Executive Officer (Designate) and he will become Chief Executive Officer at the beginning of April when, following a handover period, John Harnett leaves the Group to pursue personal interests. Gerard has over 20 years experience in the financial services sector, primarily with Citigroup and GE, and latterly spent four years as Chief Executive Officer for Citigroup's consumer finance businesses in the Western Europe, Middle East and Africa regions.

The Board is most grateful to John Harnett for his work establishing IPF as an independent listed public company and for increasing the Group's profits significantly through the turbulent years of the financial crisis.

Strategy

New country entry remains a key element of our long-term strategy. Our detailed research of potential new markets is ongoing but given the current uncertain economic climate we do not intend at this time to commit to launch a new market pilot.

Outlook

The outlook for the global economy remains uncertain and we have prepared for this by maintaining tight control over costs. We also have the ability to tighten credit rules rapidly in the event that conditions deteriorate.

Notwithstanding the general economic uncertainty, the first two months of 2012 have been encouraging for IPF, with good sales growth and stable credit quality. Future growth prospects are good and we have a strong balance sheet. We are confident the business will continue to perform well.

Operating review

Poland

Poland is our largest market and has performed very strongly, reporting an increase in profit of 35% to £66.0 million. The key drivers of this performance were a steady increase in customer numbers (up by 7% to 834,000), stronger growth in credit issued (up 10%) together with stable credit quality and good control of costs. This result also includes a one-off credit to the income statement of £4.1 million, as a result of refunds of VAT overpaid in previous periods and a benefit of £3.6 million from a price rise implemented in 2009 to offset the impact of higher ESR costs.

	2011 £m	2010 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**834**	782	52	6.6	6.6
Credit issued	**318.6**	296.4	22.2	7.5	10.4
Average net receivables	**236.8**	221.0	15.8	7.1	9.3
Revenue	**273.2**	245.3	27.9	11.4	13.9
Impairment	**(83.2)**	(75.1)	(8.1)	(10.8)	(13.5)
	190.0	170.2	19.8	11.6	14.1
Finance costs	**(14.8)**	(12.5)	(2.3)	(18.4)	(21.3)
Agents' commission	**(27.3)**	(24.9)	(2.4)	(9.6)	(11.9)
Other costs	**(81.9)**	(83.8)	1.9	2.3	(1.1)
Profit before taxation	**66.0**	49.0	17.0	34.7	

We continue to believe that there are significant opportunities for further growth in the Polish market and we increased our agent numbers by 13% in order to provide a platform to achieve this.

Credit issued was increased by 10% which was faster than customer growth and reflects higher sales to existing quality customers. This growth resulted in an increase in average net receivables of 9% at constant exchange rates. Revenue grew at a slightly faster rate due to the positive, year-on-year, impact of the 2009 price increase and a shift in mix of the receivables book away from lower yielding longer-term products.

Credit quality remained stable, with impairment as a percentage of revenue at 30.5%, which was marginally lower than 2010.

Finance costs were £2.3 million higher than 2010 due to a combination of the higher funding costs arising from the 2010 refinancing partly offset by a lower borrowing requirement reflecting strong cash generation. Agents' commission costs, which are variable in nature, increased in line with growth in the business and represented 10% of revenue.

Other costs were tightly controlled and, excluding the £4.1 million VAT refund noted above, increased by 6% which is significantly lower than revenue growth.

Czech Republic and Slovakia

Our business in Czech-Slovakia delivered a solid performance in 2011 although the reported profit reduced by £3.9 million due to the £8.6 million combined impact of higher finance and ESR costs.

	2011 £m	2010 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**400**	386	14	3.6	3.6
Credit issued	**209.5**	185.4	24.1	13.0	10.2
Average net receivables	**148.3**	131.9	16.4	12.4	9.2
Revenue	**144.8**	137.7	7.1	5.2	2.1
Impairment	**(30.2)**	(27.3)	(2.9)	(10.6)	(6.7)
	114.6	110.4	4.2	3.8	1.0
Finance costs	**(6.2)**	(5.7)	(0.5)	(8.8)	(6.9)
Agents' commission	**(15.2)**	(14.7)	(0.5)	(3.4)	(0.7)
Other costs	**(55.4)**	(48.3)	(7.1)	(14.7)	(9.9)
Profit before taxation	**37.8**	41.7	(3.9)	(9.4)	

Agent numbers grew by 7% and customer numbers increased by 4%, which was a little slower than planned. We continue to believe there is the potential for stronger customer growth in this market and in 2012 we plan to intensify our efforts to realise this.

Credit issued increased by 10%, a stronger rate than customer growth, reflecting increased sales to existing quality customers and this resulted in average net receivables growth of 9%. Revenue grew at a slower rate due to higher ESR costs following the implementation of the CCD in Slovakia and the Czech Republic in July 2010 and January 2011 respectively.

Collections performance remained robust and impairment as a percentage of revenue, at 20.9%, was broadly in line with 2010. Finance costs increased by 7% due to the full year impact of higher funding costs partially offset by lower levels of borrowing. Agents' commission costs increased in line with growth in the business. Other costs grew by 10% driven primarily by increased marketing and related expenditure to stimulate growth.

Hungary

Hungary performed well delivering good growth in customer numbers, strong growth in credit issued and excellent credit quality. Reported profit was £0.8 million lower than 2010 due to £9.5 million of higher ESR and interest costs.

	2011 £m	2010 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**252**	238	14	5.9	5.9
Credit issued	**104.3**	95.1	9.2	9.7	11.0
Average net receivables	**71.6**	62.5	9.1	14.6	15.1
Revenue	**74.2**	74.0	0.2	0.3	0.7
Impairment	**(9.0)**	(11.3)	2.3	20.4	19.6
	65.2	62.7	2.5	4.0	4.3
Finance costs	**(8.6)**	(6.0)	(2.6)	(43.3)	(45.8)
Agents' commission	**(13.3)**	(12.7)	(0.6)	(4.7)	(5.6)
Other costs	**(35.0)**	(34.9)	(0.1)	(0.3)	(0.6)
Profit before taxation	**8.3**	9.1	(0.8)	(8.8)	

A focus on improving customer service, more effective internal communications, improved marketing and agency growth of 4% allowed the business to make good progress in growing its customer base towards the previous level of over 300,000. Customer growth, together with improved credit quality which increased the number of customers eligible for larger loans, resulted in stronger credit issued growth of 11%. Average net receivables grew at an even faster rate of 15% due to the progressive acceleration in credit issued growth since mid-2010.

Revenue grew by less than one percent reflecting higher ESR costs, which are netted-off revenue. The impact in Hungary is relatively high compared to other markets due to the higher incidence of early settlement. This reflects the very high quality of our customer portfolio and we would expect the incidence to reduce as the business grows and credit quality normalises.

Credit quality remains excellent and impairment as a percentage of revenue is 12.1% (2010: 15.3%), which is well below our target range of 25% to 30%. We would have eased our credit settings further in the second half of the year but chose to maintain a more cautious positioning given the macro economic issues facing the country.

Financing costs were £2.6 million higher than 2010 due to the increased cost of debt funding and higher borrowings. Agents' commission costs increased in line with the growth in the business. Other costs and the cost-income ratio were in line with 2010 reflecting very tight cost control.

The economic situation in Hungary is uncertain and is likely to remain so until there is a conclusion to the funding discussions between the Hungarian government, the EU and the IMF. Nonetheless, our Hungarian business has made good progress and we believe there are further opportunities to grow.

Mexico

During the second half of 2010 we reduced growth and suspended geographic expansion whilst we made improvements to our field operations so as to improve the consistency and regularity of agent collections and thereby credit quality. Our key task in 2011 in Mexico was to carry through these underlying improvements. In the first half of the year a number of changes were completed, in particular we embedded a new field management structure designed to reduce spans of control in the field and improve the supervision of our development managers and agents. This investment, together with the opening of seven new branches, increased our cost base and consequently, in the first half, profit reduced.

In the second half the expected benefits started to flow and we were able to combine accelerated growth with much improved credit quality. Consequently, whilst profit for the year reduced by £2.0 million to £1.5 million, second half profit was 29% above that for the same period of 2010. In addition, the changes made have been instrumental in substantially reducing impairment as a percentage of revenue for 2011 by 6.3 percentage points to 30.2% and it is now at our target level for this market.

	2011 £m	2010 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**671**	598	73	12.2	12.2
Credit issued	**124.4**	113.0	11.4	10.1	12.8
Average net receivables	**67.7**	65.1	2.6	4.0	6.1
Revenue	**102.9**	101.2	1.7	1.7	4.1
Impairment	**(31.1)**	(36.9)	5.8	15.7	14.3
	71.8	64.3	7.5	11.7	14.9
Finance costs	**(7.7)**	(5.9)	(1.8)	(30.5)	(40.0)
Agents' commission	**(11.6)**	(10.8)	(0.8)	(7.4)	(2.7)
Other costs	**(51.0)**	(44.1)	(6.9)	(15.6)	(21.7)
Profit before taxation	**1.5**	3.5	(2.0)	(57.1)	

As a result of improved operating performance, growth was accelerated from May 2011 and we increased the emphasis of our internal communications and incentive schemes towards expanding our business. This was successful and so for the year agent numbers increased by 17%, customer numbers grew by 12% to 671,000 and credit issued increased by 13%. Growth in average net receivables and revenue was less and lagged the growth in credit issued.

Finance costs increased by 40% to £7.7 million due to the higher cost of debt following the 2010 refinancing together with a larger borrowing requirement arising from the growth of the business. Agents' commission costs increased broadly in line with growth in the business.

Other costs increased by 22% to £51.0 million reflecting the investment made in implementing our new field management structure, expanding the branch network and supporting growth in our existing branches.

During 2012, we will continue to focus our efforts on improving operational performance. We will also move on to the important next step of our development plan which is to build on improved credit quality by increasing loan size and thereby increasing revenue per customer. Some of this will come naturally, with customers paying more regularly and so getting the offer of increased loan sizes. We will also test the opportunity to further leverage improved credit quality by relaxing credit controls for good paying customers. This offers the possibility to further increase customer profitability. We will explore this possibility carefully by conducting structured credit tests in the first half of 2012.

The profit before taxation is analysed by region as follows:

	2011 £m	2010 £m	Change £m	Change %
Puebla	**4.7**	5.2	(0.5)	(9.6)
Guadalajara	**7.5**	6.7	0.8	11.9
Monterrey	**(1.7)**	(0.8)	(0.9)	(112.5)
Head office	**(9.0)**	(7.6)	(1.4)	(18.4)
Profit before taxation	**1.5**	3.5	(2.0)	(57.1)

We remain convinced of the long-term potential of the Mexican business to grow to at least three million customers generating a total pre-tax profit of £90 million per annum in the long term, which will provide helpful diversification of our business outside of the European Union.

Romania

Our business in Romania reported excellent results in 2011. Profit increased by £2.4 million to £4.1 million despite £4.3 million of higher ESR and finance costs.

	2011 £m	2010 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**249**	207	42	20.3	20.3
Credit issued	**87.7**	74.6	13.1	17.6	17.2
Average net receivables	**51.1**	41.5	9.6	23.1	22.8
Revenue	**54.4**	50.5	3.9	7.7	7.3
Impairment	**(14.2)**	(17.5)	3.3	18.9	18.9
	40.2	33.0	7.2	21.8	21.1
Finance costs	**(5.6)**	(4.9)	(0.7)	(14.3)	(7.7)
Agents' commission	**(5.5)**	(4.9)	(0.6)	(12.2)	(12.2)
Other costs	**(25.0)**	(21.5)	(3.5)	(16.3)	(13.6)
Profit before taxation	**4.1**	1.7	2.4	141.2	

The key ingredients of growth were a 23% increase in agent numbers which facilitated customer growth of 20% to almost 250,000 customers. Credit issued grew 17% and average net receivables increased by 23% to £51.1 million. Revenue grew at a slower rate of 7% due to the impact of increased ESR costs.

Improvements in operational effectiveness alongside the natural maturing of the business drove a substantial improvement in collections performance and credit quality, and as a result, impairment as a percentage of revenue was reduced substantially, by 8.6 percentage points, to 26.1%.

Finance costs increased by £0.7 million due to higher funding costs following the 2010 refinancing. Agents' commission costs increased in line with the growth in the business. Other costs increased by 14% to support the expansion of the business.

Further geographic expansion is planned.

International Personal Finance plc

Consolidated income statement for the year ended 31 December

	Notes	2011 £m	2010 Pre-exceptional items £m	2010 Exceptional items £m	2010 £m
Revenue	4	649.5	608.7	-	608.7
Impairment	4	(167.7)	(168.1)	-	(168.1)
Revenue less impairment		481.8	440.6	-	440.6
Finance costs		(42.9)	(33.9)	(6.8)	(40.7)
Other operating costs		(97.1)	(93.7)	-	(93.7)
Administrative expenses		(241.3)	(220.9)	2.9	(218.0)
Total costs		(381.3)	(348.5)	(3.9)	(352.4)
Profit before taxation	4	**100.5**	**92.1**	**(3.9)**	**88.2**
Tax expense – UK		0.8	0.9	(0.8)	0.1
– Overseas		(24.8)	(30.7)	1.6	(29.1)
Total tax expense	5	(24.0)	(29.8)	0.8	(29.0)
Profit after taxation attributable to owners of the parent		**76.5**	**62.3**	**(3.1)**	**59.2**

The profit for the period is from continuing operations.

Earnings per share

	Notes	2011 pence	2010 pence
Basic	6	**30.17**	**23.34**
Diluted	6	**29.57**	**23.09**

Earnings per share – pre-exceptional profit

	Notes	2011 pence	2010 pence
Basic	6	**30.17**	**24.57**
Diluted	6	**29.57**	**24.32**

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

Dividend per share

	Notes	2011 pence	2010 pence
Interim dividend	7	3.00	2.53
Final dividend proposed	7	4.10	3.74
Total dividend		**7.10**	**6.27**

Dividends paid

	Notes	2011 £m	2010 £m
Interim dividend of 3.00 pence per share (2010: 2.53 pence per share)	7	7.6	6.5
Final 2010 dividend of 3.74 pence per share (2010: final 2009 dividend 3.40 pence per share)	7	9.5	8.6
Total dividends paid		**17.1**	**15.1**

Consolidated statement of comprehensive income for the year ended 31 December

	2011 £m	2010 £m
Profit after taxation attributable to owners of the parent	76.5	59.2
Other comprehensive income:		
Exchange (losses)/gains on foreign currency translations	(40.2)	0.7
Net fair value gains – cash flow hedges	0.4	4.1
Actuarial (losses)/gains on retirement benefit obligation	(6.8)	0.8
Tax credit/(charge) on items taken directly to equity	2.2	(2.2)
Other comprehensive (expense)/income net of taxation	(44.4)	3.4
Total comprehensive income for the year attributable to owners of the parent	**32.1**	**62.6**

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

Consolidated balance sheet as at 31 December

	Notes	2011 £m	2010 £m
Assets			
Non-current assets			
Intangible assets		3.6	6.8
Property, plant and equipment	9	30.6	35.7
Deferred tax assets		50.1	48.5
		84.3	91.0
Current assets			
Amounts receivable from customers			
- due within one year		555.3	558.8
- due in more than one year		5.1	8.1
	10	560.4	566.9
Cash and cash equivalents		17.9	23.5
Derivative financial instruments		10.0	-
Other receivables		19.1	21.3
		607.4	611.7
Total assets		691.7	702.7
Liabilities			
Current liabilities			
Borrowings	11	(6.4)	(19.5)
Derivative financial instruments		(0.3)	(4.5)
Trade and other payables		(57.4)	(55.9)
Current tax liabilities		(25.8)	(25.7)
		(89.9)	(105.6)
Non-current liabilities			
Retirement benefit obligation	12	(4.0)	(3.3)
Borrowings	11	(270.1)	(284.8)
		(274.1)	(288.1)
Total liabilities		(364.0)	(393.7)
Net assets		**327.7**	**309.0**
Shareholders' equity			
Called-up share capital		25.7	25.7
Other reserves		(28.0)	11.3
Retained earnings		330.0	272.0
Total equity		**327.7**	**309.0**

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

Consolidated statement of changes in equity for the year ended 31 December

	Called-up share capital £m	Other reserve £m	Other reserves* £m	Retained earnings £m	Total £m
Balance at 1 January 2010	**25.7**	**(22.5)**	**30.8**	**225.8**	**259.8**
Comprehensive income:					
Profit after taxation for the year	-	-	-	59.2	59.2
Other comprehensive income:					
Exchange gains on foreign currency translations	-	-	0.7	-	0.7
Net fair value gains – cash flow hedges	-	-	4.1	-	4.1
Actuarial gains on retirement benefit obligation	-	-	-	0.8	0.8
Tax charge on items taken directly to equity	-	-	(1.8)	(0.4)	(2.2)
Total other comprehensive income	-	-	3.0	0.4	3.4
Total comprehensive income for the year	-	-	3.0	59.6	62.6
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	1.7	1.7
Dividends paid to Company shareholders	-	-	-	(15.1)	(15.1)
Balance at 31 December 2010	**25.7**	**(22.5)**	**33.8**	**272.0**	**309.0**
Balance at 1 January 2011	**25.7**	**(22.5)**	**33.8**	**272.0**	**309.0**
Comprehensive income:					
Profit after taxation for the year	-	-	-	76.5	76.5
Other comprehensive income:					
Exchange losses on foreign currency translation	-	-	(40.2)	-	(40.2)
Net fair value gains – cash flow hedges	-	-	0.4	-	0.4
Actuarial losses on retirement benefit obligation	-	-	-	(6.8)	(6.8)
Tax credit on items taken directly to equity	-	-	0.5	1.7	2.2
Total other comprehensive expense	-	-	(39.3)	(5.1)	(44.4)
Total comprehensive (expense)/income for the year	-	-	(39.3)	71.4	32.1
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	3.7	3.7
Dividends paid to Company shareholders	-	-	-	(17.1)	(17.1)
Balance at 31 December 2011	**25.7**	**(22.5)**	**(5.5)**	**330.0**	**327.7**

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

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

Consolidated cash flow statement for the year ended 31 December

	2011 £m	2010 £m
Cash flows from operating activities		
Cash generated from operations	82.7	97.3
Finance costs paid	(42.9)	(35.7)
Income tax paid	(27.9)	(22.6)
Net cash generated from operating activities	11.9	39.0
Cash flows from investing activities		
Purchases of property, plant and equipment	(13.8)	(10.6)
Proceeds from sale of property, plant and equipment	2.7	2.9
Purchases of intangible assets	(0.5)	(0.5)
Net cash used in investing activities	(11.6)	(8.2)
Net cash from operating and investing activities		
Established businesses	12.4	42.5
Start-up businesses	(12.1)	(11.7)
Net cash generated from operating and investing activities	0.3	30.8
Cash flows from financing activities		
Proceeds from borrowings	38.2	275.6
Repayment of borrowings	(25.0)	(298.5)
Dividends paid to Company shareholders	(17.1)	(15.1)
Net cash used in financing activities	(3.9)	(38.0)
Net decrease in cash and cash equivalents	(3.6)	(7.2)
Cash and cash equivalents at beginning of year	23.5	31.2
Exchange losses on cash and cash equivalents	(2.0)	(0.5)
Cash and cash equivalents at the end of the year	**17.9**	**23.5**

Reconciliation of profit after taxation to cash flows from operations

	2011 £m	2010 £m
Profit after taxation	76.5	59.2
Adjusted for:		
Tax charge	24.0	29.0
Finance costs	42.9	40.7
Share-based payment charge	1.9	1.7
Defined benefit pension credit	(0.2)	(2.7)
Depreciation of property, plant and equipment	11.1	11.4
Loss/(profit) on disposal of property, plant and equipment	3.0	(0.3)
Amortisation of intangible assets	3.7	5.1
Changes in operating assets and liabilities:		
Amounts receivable from customers	(61.6)	(36.6)
Other receivables	(5.1)	(5.3)
Trade and other payables	6.6	(4.9)
Retirement benefit obligation	(5.9)	(0.7)
Derivative financial instruments	(14.2)	0.7
Cash generated from operations	**82.7**	**97.3**

Included within loss/(profit) on disposal of property, plant and equipment, is a loss of £3.2 million in relation to handheld technology.

Cash generated from operations can be analysed by business unit as follows:

	2011 £m	2010 £m
Established markets	78.1	93.8
Developing markets	4.6	3.5
Continuing operations	**82.7**	**97.3**

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

Notes to the financial information for the year ended 31 December 2011

1. Basis of preparation

The financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes, is derived from the full Group Financial Statements for the year ended 31 December 2011, which have been prepared under European Union endorsed International Financial Reporting Standards (IFRS) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. It does not constitute full accounts within the meaning of section 434 of the Companies Act 2006. This financial information has been agreed with the auditor for release.

The Group Financial Statements for the year ended 31 December 2011 on which the auditor has given an unqualified report and which does not contain a statement under section 498 of the Companies Act 2006, will be delivered to the Registrar of Companies in due course, and made available to shareholders from 27 March 2012.

The accounting policies used in completing this financial information have been consistently applied in all periods shown, except as shown below. These accounting policies are detailed in the Group's Financial Statements for the year ended 31 December 2010 which can be found on the Group's website (www.ipfin.co.uk).

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011, but do not have any impact on the Group:

- Amendment to IFRS 1 (January 2010), 'Limited exemption from comparative IFRS 7 Disclosures for first-time adopters';
- International Accounting Standards ('IAS') 24 (revised November 2009) 'Related party disclosures';
- Amendment to IAS 32 (October 2009) 'Classification of rights issues';
- Improvements to IFRSs 2010 (May 2010);
- Amendments to IFRIC 14 (November 2009) 'Prepayments of a minimum funding requirement'; and
- IFRIC 19 'Extinguishing financial liabilities with equity instruments'.

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

- IFRS 7 (amendment) 'Disclosures – offsetting financial assets and financial liabilities';
- IFRS 7 (amendment) 'Disclosures – transfers of financial assets';
- IFRS 9 'Financial instruments'. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2015 and has not yet been endorsed by the European Union, however, is available for early adoption. The Group is in the process of assessing IFRS 9's full impact;

- IFRS 10 ‘Consolidated Financial Statements’;
- IFRS 13 ‘Fair value measurements’;
- IAS 1 (amendment) ‘Presentation of items of other comprehensive income’;
- IAS 12 (amendment) ‘Deferred tax: recovery of underlying assets’;
- IAS 19 (revised) ‘Employee benefits’;
- IAS 27 (revised) ‘Separate Financial Statements’; and
- IAS 32 (amendment) ‘Offsetting financial assets and financial liabilities’.

2. Principal risks

In accordance with the Companies Act 2006, a description of the principal risks (and the mitigating factors in place in respect of these) is included below.

Risk is inherent in all business activities. The role of management is to determine the organisation’s appetite for risk and to construct strategies and controls to ensure that they manage risk within that appetite and to mitigate risks as effectively as possible.

The nature of our business activities and the sector and geographies in which we operate are key determinants of risk: we are a consumer lending business and therefore carry credit risk in our lending and collection activities. Since we lend to higher risk customers on lower incomes, it is inevitable that we carry a higher regulatory and reputational risk than some other consumer lending businesses. In addition, the business model operates through a large distribution network of employees and agents which bring increased levels of risk in respect of people management and safety. Additionally, as an international business focused on emerging markets we are subject to the economic and currency risks that are inherent in operating across multiple geographies and in less well developed economies.

Strategic risk	Risk appetite statement	Mitigation
Growth Our aim is to deliver value to shareholders through long-term sustainable growth. There is a risk that we fail to deliver targeted levels of growth or that we grow too rapidly, creating unacceptably high levels of credit, operating or funding risk.	We will optimise sustainable growth in shareholder value without breaching our stated levels of credit, operating and funding risks.	We comply with policies and controls in the following areas to ensure this risk is kept within appetite: – credit risk; – operating risk; – funding risk; and – credit exceptions.
Concentration risk We have a competitive advantage in the provision of home credit and, accordingly, our strategy is to concentrate on expansion through this single product. This concentration increases exposure to adverse regulatory or competitive threats.	We accept the heightened risk of a single product strategy because of the superior returns this affords.	We periodically review options to enhance the customer offering through the provision of other products and services which may appeal to our customers and are complementary to our home credit offer.
Economic risk The condition of the economies in which we operate and the implications of this for our customers will have an impact on our business performance. Customers' ability to repay loans will be affected by events, such as unemployment or under-employment which impact household incomes. Reduced demand, reduced revenue and increased impairment may result.	We accept the risk that economic conditions in the markets in which we operate may change and this will impact our performance.	We have a resilient business model because our loan book is short term; on average just five months' repayments are outstanding, which means we can quickly change the risk-return profile of our lending. In addition, our credit management and impairment systems, together with close customer relationships allow us to detect and respond rapidly to changes in customer circumstances and payment performance.

Strategic risk	Risk appetite statement	Mitigation
Reputation and regulation risk We operate in emerging markets in which the legal and regulatory regimes can be subject to rapid and significant change. This presents a potential risk to the operation of the business, potentially resulting in reductions in profit, fines or the withdrawal of operating licences. Specific risks include: - changes to the regulation of credit or the sale of credit by intermediaries or other laws that may impact the operation of the business and / or result in higher costs; and - controls on the level or structure of charges for interest, agent service or other services that may impact the operation of the business or its level of profit. In addition, our reputation may be adversely affected by ill-informed comment or malpractice which in turn may damage our brand and reduce customer demand.	We will always aim to comply with all relevant regulations but accept that the regulatory environment within which we operate is beyond our direct control and that changes in regulation may have a material impact on the business and its profitability. It is possible that regulation of consumer lending could lead to the removal of a licence to trade in one or more markets.	We actively operate Treating Customers Fairly principles in all markets to protect our brand and reputation. We operate a legal and regulatory governance regime which monitors compliance with all relevant regulations and escalates to the Board, for action, any areas of concern. We foster open relationships with regulatory bodies and monitor closely developments in all our markets, and in respect of the EU as a whole. We have well established and experienced corporate affairs teams in all our markets. We work proactively with opinion formers to ensure the business is well understood. This is facilitated by membership of the British Chamber of Commerce and / or relevant local trade bodies, and Eurofinas in Brussels. We have an international legal committee to oversee legal risks across the Group. We have an effective corporate responsibility programme in place. We have clear operating guidelines and policies to ensure consistency and compliance with our values. We pursue an active communications programme that aims to foster a good understanding of the Company.

Strategic risk	Risk appetite statement	Mitigation
Competition risk Increased competition may reduce our market share, leading to increased costs of customer acquisition and retention and reduced credit issued, lower revenue and lower profitability.	We accept the risk that increased competition may reduce our market share. In new markets we conduct detailed research to identify those segments in a particular market we would look to serve, the current level of competition and the extent of our potential competitive advantage.	Our distinctive operating model and high levels of personal service engender high levels of customer satisfaction and retention. Market research is regularly undertaken to monitor satisfaction levels, identify usage of other financial products and monitor competitor activity. We look to continuously improve the service we offer to customers.
Credit risk Credit risk is intrinsic in consumer lending and represents the risk that customers fail to repay part or all of a loan as repayments fall due, leading to levels of impairment that are too high in relation to the charges made. There is always a trade-off between sales growth and credit risk and there is a business risk that credit controls are inappropriately positioned leading to a sub-optimal level of profitability. In setting credit controls and establishing this trade-off, we believe that an impairment level of over 30% destroys customer lifetime value as a result of higher customer turnover and, in turn, leads to high staff and agent turnover as a result of the level of arrears work required. Conversely, we believe that an impairment level below 25% indicates that we are rejecting profitable lending opportunities that would increase lifetime value.	We will target annual Group impairment as a percentage of revenue of between 25% and 30%.	We have effective credit management systems and rules in place for evaluating and controlling the risk from lending to new and existing customers which are managed at branch level. This is supplemented by the weekly contact between our agents and customers allowing a regular assessment of credit risk. Performance is monitored against benchmarks set for each product term and loan sequence. Our agents are incentivised primarily to collect rather than lend, thereby ensuring they focus on responsible lending. We have credit exception reporting in place to report and follow up on all loans issued outside the criteria defined within our application and behavioural scoring systems. Group and country level credit committees review credit controls at country and branch level each month allowing rapid response to the changing market conditions.

Strategic risk	Risk appetite statement	Mitigation
Funding and liquidity risk We fund our activities and growth through a combination of equity capital, retained earnings and bank and bond debt funding. There is a risk that sufficient funding may not be available to support our business plan, that there may be insufficient funding in the currencies in which we lend or that it is not available at an economic price. This is particularly relevant following the significant reduction in the general availability of bank and capital markets funding. A specific risk is that a breach of banking covenant may trigger a withdrawal of part or all of our debt facilities and, at extreme, this may lead to the going concern status of the business being called into question.	We will aim to maintain a capital structure (equity and debt) that provides, under a stressed scenario, sufficient committed funding facilities to cover forecast borrowings plus operational headroom for the next 18 months on a rolling basis, and ensures there is no reasonable likelihood of a covenant breach or rating downgrade.	The business is well capitalised with equity to receivables of 58.5%. At 31 December 2011 there was headroom of £171.4 million on £447.9 million of bonds, and syndicated and bilateral banking facilities. Our main banking facilities are committed until November 2013 and bond funding matures largely in 2015. We have committed funding sufficient for our business plan until November 2013. A Group Treasury Governance Structure is in place to ensure that adherence to Group policies is measured, monitored and managed on a monthly basis.
Operating risk – general Our ambition is to achieve long-term growth and to expand our business into new markets. There is a risk that our business model would not be scalable if we failed to apply it consistently or if there was a systematic breakdown of the operating procedures, processes, systems or controls that underpin the model.	We accept that expanding our business creates additional risk of operating underperformance. We will not accept any persistent or significant variations to our standard operating model for factors other than local legal requirements.	We only implement significant business change initiatives following a proven and approved champion/challenger business case and pilot. We ensure that new branch openings are made using staff with a minimum of six months' relevant experience. We operate a risk-based internal audit programme. We operate a Risk Management Framework to ensure key risks are identified, measured, monitored and mitigated.

Strategic risk	Risk appetite statement	Mitigation
Operating risk – accuracy and appropriate reporting The integrity of our control and information systems requires that the financial position of the business is known accurately and in a timely fashion. There is a risk that we do not have systems, controls and processes which ensure this can be delivered.	We aim to design and operate performance reporting and financial control systems where there is no material risk from failures of internal systems and controls.	We will only implement significant changes to controls or processes following a proven and approved business case and pilot. We have an internal control framework and associated assurance mechanisms to ensure the on-going systems, controls and processes are operating as required. All changes to products, pricing and the accounting polices for receivables are matters reserved to the Board.
Operating risk – people (i) Safety We operate a model which involves a high degree of customer contact at the homes of our customers. In common with other groups of 'lone workers' there are risks of personal accident or assault associated with such home contact.	We will take all reasonably practicable steps to mitigate risks to all employees and agents in the operation of their duties. We will not tolerate any material breaches of relevant Health and Safety legislation.	We seek to continually improve our processes to ensure high standards of safety. Our Health and Safety Governance Structure ensures that policies and procedures are in place to foster compliance with all relevant legislation and ensure that all reasonably practicable steps are taken to mitigate risks to all employees and agents in the operation of their duties.
(ii) Availability We operate within a sector of the market in which there are few other players of a significant size, limiting the size of the recruitment market for key staff. In addition, we are seeking high levels of growth in existing and new markets. These factors combine to present the risk of a shortage of personnel of appropriate skills and knowledge to implement the Group strategy successfully.	We will aim to have sufficient depth of personnel able to implement the strategy of the Group but will only grow the business at a rate consistent with the skills availability and experience of personnel.	We have a formal talent development programme aimed at delivering sufficient high-quality managers to meet future plans. A learning and development framework has also been implemented. We aim to have approved succession plans for all senior management positions. We aim to have a minimum of two named Country Managers and Operations Directors in waiting.

Strategic risk	Risk appetite statement	Mitigation
Operating risk – service disruption We operate a business which is highly dependent upon its IT systems and business processes in the delivery of an excellent service. There is a risk that the failure of these systems and processes may impact the overall customer experience resulting in lost business opportunities, specifically: - day-to-day operations disrupted in the event of damage to, or interruption or failure of, information, credit appraisal and communication systems; - failure to provide quality service to customers and loss of data; and - disruption of activities increasing costs or reducing potential net revenues.	We will not accept any material risk of the permanent destruction or loss of the books and records (including customer data) of the business. We will aim to manage the losses arising from the risk of disruption to business activities to be no more than 10% of the expected pre-tax profit for any year.	Robust business continuity processes, procedures and a reporting framework are in place in all markets to enable us to continue trading and to recover full functionality as soon as practicable in the event of such an occurrence. These are regularly tested and reviewed. Strategies are revised where necessary. We perform a Business Impact Assessment every two years in each of our markets. There is continuous investment in the development of IT platforms.
Business development risk – change management We aim to continuously improve our business performance. This involves change to systems, processes, reward systems and people. Through implementing change there is a risk that planned benefits are not realised or there are unintended consequences.	We accept that continuous change and improvement carries risk and accept this risk but only to the extent that changes are tested and evaluated on a pilot basis before deployment.	We have a test and learn approach and all significant change is subject to user acceptance testing and pilot evaluation before deployment. We have a clear strategy for the development of revisions to IT systems and operating processes. Standard project management methodology is applied across the Group.

Strategic risk	Risk appetite statement	Mitigation
New markets risk Our strategy includes entry into new markets that offer good, profitable growth potential. There is a risk that we choose the wrong market or enter it at the wrong time.	We accept that new market entry carries the risk of failure that cannot be fully mitigated by research and careful preparation. We will limit the impact of failure on the income statement such that the annual operating costs of new market pilots, together with the estimated cost of the closure and write-down of all new market pilots, will be no more than 20% of annual pre-tax profit.	A report is made for Board approval in respect of all potential new countries based on our new market entry criteria. We assess the potential to enter a new country in accordance with our seven entry tests. Progression from a pilot to a roll-out phase will only be authorised by the Board following a period of a successful pilot and formal review.
Currency and matching risk (i) Currency risk We operate in markets which use different currencies from that in which we report our results, presenting a foreign exchange risk.	All our earnings are denominated in foreign currency. We fully accept the risk that over the long term the translated value of these earnings may rise or fall and so change the reported value of the future prospects of the business and its market capitalisation. The majority of net assets underpinning the nominal value of our equity are denominated in foreign currency. We fully accept the risk that the translated value of these may rise or fall leading to changes in the nominal value of our equity. We will not accept any material portion of our receivables book to be debt funded in any currency other than the local currency without full hedging in place. We will not enter into any speculative derivative contracts.	In the short term, we manage the risk that changes in exchange rates could have a material impact on market expectations by hedging at least two-thirds of forecast profits within each current financial year. We have a Group Treasury Governance Structure in place to ensure that adherence to Group policies is measured, monitored and managed on a monthly basis. No loans are issued in a currency other than the functional currency of the relevant market. Funds are borrowed in, or swapped into, the same local currencies as net customer receivables so far as possible.

Strategic risk	Risk appetite statement	Mitigation
(ii) Interest rate risk Typically, the service charge on our lending is fixed at the time a loan is granted and there is a risk that during the life of a loan the costs of providing and managing it increase and, therefore, impact profit margins.	We fix interest costs so that the cost is matched with the revenue generated on the related receivables book.	We will hedge at least 75% of known interest costs on borrowings in each currency to be incurred in the next 12 months.
Tax risk We operate in emerging markets in which the taxation regimes can be subject to significant and rapid change. This presents the risk that the taxation charge in the Financial Statements does not reflect the ultimate tax cost incurred by the Group.	We aim to comply with all relevant tax regulations. Nonetheless, we accept the risk that the position taken by the Group in relation to the taxation treatment of certain transactions may be subject to a challenge and that a decision against the Group may materially impact the taxation charge in the Financial Statements in any one year. However, we will aim to carry sufficient provisions to reflect the reasonable probability of any adverse outcomes and, additionally, to provide comfort that such adverse outcomes would not trigger a breach of bank covenants.	A Tax Committee is in place to monitor tax risks across the Group. External professional advice for all material transactions is taken and supported by strong internal tax experts both in-country and in the UK. Where possible, tax treatments are agreed in advance with relevant authorities. We maintain a tax provision reflecting the expected risk-weighted impact of significant open or disputed tax items. Tax risks are reviewed every six months by the Audit and Risk Committee. We do not recognise a deferred tax asset for start-up losses on a pilot operation unless and until the pilot moves to the roll-out phase. A stress test analysis is performed to ensure that any potential tax risks, for which there is no provision, will not result in a covenant breach.

Strategic risk	Risk appetite statement	Mitigation
Counterparty failure – banks We have cash balances in the accounts of banks in all of our countries of operation, to ensure sufficient cash availability to fund the short-term operation of the business. This presents a counterparty risk in terms of the institutions used.	We have policies aimed at avoiding exposure to any counterparty where the failure of that counterparty would impact pre-tax profit by 10% or more.	We have a Group Treasury Governance Structure in place to ensure that adherence to Group policies is measured, monitored and managed on a monthly basis. Cash is held generally with single A or higher rated financial institutions. Institutions with lower credit ratings can only be used with full Board approval.
Counterparty failure – other We enter into arrangements with organisations over a medium term to provide services for certain core elements of the business, presenting a counterparty risk in terms of the failure of the organisation used. There is the risk that business failure of a counterparty, such as an IT services provider, could cause significant disruption or impact on our ability to operate.	We have procedures aimed at preventing us from entering into any long-term or material contract where the failure of the counterparty would impact pre-tax profit by 10% or more, unless there is no reasonable alternative.	We ensure there is Board approval of material medium-term contracts.

3. Related parties

The Group has not entered into any material transactions with related parties during the year ended 31 December 2011.

4. Segmental information

Operating segments

	2011 £m	2010 £m
Revenue		
Poland	273.2	245.3
Czech-Slovakia	144.8	137.7
Hungary	74.2	74.0
Mexico	102.9	101.2
Romania	54.4	50.5
	649.5	**608.7**
Impairment		
Poland	83.2	75.1
Czech-Slovakia	30.2	27.3
Hungary	9.0	11.3
Mexico	31.1	36.9
Romania	14.2	17.5
	167.7	**168.1**
Profit before taxation		
Poland	66.0	49.0
Czech-Slovakia	37.8	41.7
Hungary	8.3	9.1
UK – central costs*	(17.2)	(12.9)
Established markets	94.9	86.9
Mexico	1.5	3.5
Romania	4.1	1.7
Developing markets	5.6	5.2
Profit before taxation – pre-exceptional items	**100.5**	**92.1**
Exceptional items	-	(3.9)
Profit before taxation	**100.5**	**88.2**

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

	2011 £m	2010 £m
Total assets		
Poland	247.4	269.1
Czech-Slovakia	172.8	169.3
Hungary	87.2	87.4
UK	32.8	28.6
Mexico	92.7	92.1
Romania	58.8	56.2
	691.7	**702.7**

	2011 £m	2010 £m
Total liabilities		
Poland	86.5	141.6
Czech-Slovakia	58.3	62.6
Hungary	49.0	59.3
UK	86.1	46.7
Mexico	54.6	54.3
Romania	29.5	29.2
	364.0	**393.7**
Capital expenditure		
Poland	0.9	0.7
Czech-Slovakia	3.1	2.2
Hungary	0.5	0.9
UK	7.2	4.9
Mexico	1.5	1.9
Romania	0.6	0.3
	13.8	**10.6**
Depreciation		
Poland	2.5	3.5
Czech-Slovakia	3.7	2.3
Hungary	1.7	2.0
UK	1.7	2.1
Mexico	0.8	0.8
Romania	0.7	0.7
	11.1	**11.4**

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

5. Tax expense

The taxation charge for the year was £24.0 million (2010: £29.0 million). This represents a nine percentage point reduction in the effective tax rate to 24% and has arisen due to the impact that changes in the Hungarian corporate tax rate had on the Group's deferred tax asset. In 2010, the Hungarian government legislated to reduce the rate of corporation tax in Hungary from 19% to 10% effective from 2013, resulting in a one-off tax charge in 2010 of £4.4 million. This legislation was repealed in 2011 and there is a corresponding one-off reduction in this year's tax charge of £4.2 million due to an increase in the value of the Group's deferred tax asset. The effective tax rate for 2010 and 2011, ignoring the effect of the Hungarian deferred tax asset revaluations, was approximately 28%, and is expected to remain at this level in 2012.

6. Earnings per share

Basic earnings per share (EPS) from continuing operations is calculated by dividing the earnings attributable to shareholders of £76.5 million (31 December 2010: £59.2 million) by the weighted average number of shares in issue during the period of 253.6 million which has been adjusted to exclude the weighted average number of shares held by the employee trust (2010: 253.6 million).

The adjusted earnings per share, of 28.6 pence (2010: 26.1 pence), shown within the financial highlights section of this report, has been presented at a constant 28% tax rate and before exceptional items in 2010 in order to better present the performance of the Group. As explained in note 5, the effective tax rate in 2010 and 2011 was impacted by one-off adjustments to deferred tax arising from change in legislation in Hungary and the underlying rate was approximately 28% in both years.

	2011 pence	2010 pence
Basic EPS	30.17	23.34
Dilutive effect of awards	(0.60)	(0.25)
Diluted EPS	**29.57**	**23.09**

Basic EPS analysed as:

	2011 pence	2010 pence
Poland	19.80	13.07
Czech-Slovakia	11.37	11.11
Hungary	2.48	2.42
Central Europe	33.65	26.60
UK central costs	(5.17)	(3.43)
Established markets	28.48	23.17
Mexico	0.47	0.95
Romania	1.22	0.45
EPS from pre-exceptional profit	**30.17**	**24.57**
Exceptional charge	-	(1.23)
EPS	**30.17**	**23.34**

For diluted EPS the weighted average number of shares has been adjusted to 258.7 million to take account of all potentially dilutive shares (2010: adjusted to 256.4 million).

7. Dividends

The directors are recommending a final dividend in respect of the financial year ended 31 December 2011 of 4.1 pence per share which will amount to a dividend payment of £10.4 million. If approved by the shareholders at the annual general meeting, this dividend will be paid on 1 June 2012 to shareholders who are on the register of members at 20 April 2012. This dividend is not reflected as a liability in the balance sheet as at 31 December 2011 as it is subject to shareholder approval.

8. Exceptional items

2010 profit before taxation includes an exceptional charge of £3.9 million comprising exceptional financing costs totalling £6.8 million partially offset by a curtailment gain of £2.9 million arising on the closure of the Group's defined benefit pension scheme to future accrual. The exceptional financing costs primarily represent the cost of closing out interest rate swaps upon refinancing.

9. Property, plant and equipment

	2011 £m	2010 £m
Net book value at start of year	35.7	39.5
Exchange adjustments	(2.0)	(0.4)
Additions	13.8	10.6
Disposals	(5.8)	(2.6)
Depreciation	(11.1)	(11.4)
Net book value at end of year	**30.6**	**35.7**

As at 31 December 2011 the Group had £2.8 million of capital expenditure commitments with third parties that were not provided for (2010: £1.8 million).

10. Amounts receivable from customers

	2011 £m	2010 £m
Poland	222.3	237.6
Czech-Slovakia	150.7	145.4
Hungary	68.1	69.4
Mexico	66.2	67.5
Romania	53.1	47.0
Total receivables	**560.4**	**566.9**

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 132% (2010: 132%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 4.9 months (2010: 5.0 months).

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

Revenue recognised on amounts receivable from customers which have been impaired was £378.0 million (2010: £376.1 million).

11. Borrowings

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

	2011		2010	
	Borrowings £m	Facilities £m	Borrowings £m	Facilities £m
Due in less than one year	6.4	17.2	19.5	44.8
Due between one and two years	40.6	178.9	-	-
Due between two and five years	229.5	251.8	284.8	434.8
	270.1	430.7	284.8	434.8
Total borrowings	**276.5**	**447.9**	**304.3**	**479.6**

12. Retirement benefit obligation

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

	2011 £m	2010 £m
Equities	17.3	19.5
Bonds	7.4	7.3
Index-linked gilts	4.9	5.2
Other	2.5	2.8
Total fair value of scheme assets	32.1	34.8
Present value of funded defined benefit obligation	(36.1)	(38.1)
Net obligation recognised in the balance sheet	**(4.0)**	**(3.3)**

The credit recognised in the income statement in respect of defined benefit pension costs is £0.2 million (2010: credit of £2.7 million). The cost in 2010 was offset by a pension curtailment gain of £2.9 million, arising on the closure of the scheme to future accrual, which was included as an exceptional credit in administrative expenses.

13. Average and closing foreign exchange rates

The table below shows the average exchange rates, including the impact of hedging, for the relevant reporting periods, closing exchange rates at the relevant period ends, together with the rates at which the Group has contracts in place for 2012.

	Hedged 2012	Average 2011	Closing 2011	Average 2010	Closing 2010
Poland	5.5	4.7	5.3	4.7	4.6
Czech Republic	31.0	28.9	30.7	29.4	29.1
Slovakia	1.2	1.2	1.2	1.1	1.2
Hungary	397.1	316.7	377.9	317.3	324.0
Mexico	22.0	19.7	21.7	20.4	19.3
Romania	5.4	5.0	5.2	4.9	4.9

14. Derivatives

At 31 December 2011 the Group had an asset of £10.0 million and a liability of £0.3 million (2010: £4.5 million liability) in respect of foreign currency contracts in place to hedge the volatility on the retranslation of foreign currency intercompany loans. These cash flow hedges are effective and in accordance with IFRS, movements in their fair value are taken directly to reserves.

15. Going concern

The Board has reviewed the budget for the year to 31 December 2012 and the forecasts for the four years to 31 December 2016 which include projected profits, cash flows, borrowings and headroom against facilities. The Group's committed funding through a combination of bonds and committed bank facilities are sufficient to fund the planned growth of our existing operations and new markets until November 2013. Taking these factors into account the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason the Board has adopted the going concern approach in preparing this financial information.

16. Responsibility statement

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

It is given by each of the directors: namely, Christopher Rodrigues, Chairman; John Harnett, Chief Executive Officer; David Broadbent, Finance Director; Gerard Ryan, Chief Executive Officer (Designate); Charles Gregson, non-executive director; Tony Hales, non-executive director; Edyta Kurek, non-executive director; John Lorimer, non-executive director; and Nicholas Page, non-executive director.

To the best of each director's knowledge:

a) the Financial Statements, prepared in accordance with the International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and

b) the management report contained in this report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Information for shareholders

1. The shares will be marked ex-dividend on 18 April 2012.

2. The final dividend, which is subject to shareholder approval, will be paid on 1 June 2012 to shareholders on the register at the close of business on 20 April 2012. Dividend warrants/vouchers will be posted on 30 May 2012.

3. A dividend reinvestment scheme is operated by Capita Registrars. For further information contact them at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (telephone 0871 664 0300 – calls cost 10 pence per minute plus network extras. Lines are open 8.30am – 5.30pm Monday – Friday).

4. The Annual Report and Financial Statements 2011, the notice of the annual general meeting and a proxy card will be posted on 26 March 2012 to shareholders who have elected to continue receiving documents from the Company in hard copy form. All other shareholders will be sent a proxy card and a letter explaining how to access the documents on the Company's website from 27 March 2012 or an email with the equivalent information.

5. The annual general meeting will be held at 10.30am on 24 May 2012 at International Personal Finance plc, Number Three, Leeds City Office Park, Meadow Lane, Leeds, LS11 5BD.

Investor relations and media contacts:

For further information contact:

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International Personal Finance will host a conference call for analysts and investors at 15.00hrs (UK) today. Dial-in details for this call can be obtained from Yasmin Charabati at RLM Finsbury on +44 (0) 20 7251 3801 or at yasmin.charabati@RLMFinsbury.com.

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