Annual results announcement and statement of dividends for the year ended 31 December 2010

International Personal Finance

CONTENTS

International Personal Finance plc
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Year ended 31 December 2010

Operating and financial highlights

- Pre-tax profit* increased by 49.3% to £92.1 million due to good growth, lower impairment and tight cost control
    - Good growth in customer numbers (7.5%), credit issued (5.6%), receivables (6.0%) and revenue (8.1%) with stronger growth in Q4
    - Impairment reduced by 2.3 percentage points to 27.6% of revenue (2009: 29.9%)
    - Cost-income ratio improved by 1.2 percentage points to 40.5%
- Strong performance in Central Europe with profit increased by £23.3 million to £99.8 million led by a strong recovery in Hungary
- Continued progress in Mexico with profit increased from £0.3 million to £3.5 million
- Romania delivered an excellent result with a maiden profit of £1.7 million in the face of challenging local economic conditions
- Growth plans enabled by completion of £480 million debt refinancing
- Earnings per share increased by 38.2%* to 24.57 pence (2009: 17.78 pence)
- Proposed final dividend increased to 3.74 pence per share, making the full year dividend 6.27 pence (2009 full year dividend: 5.70 pence)

* From continuing operations and stated before an exceptional charge of £3.9 million.

Chief Executive Officer, John Harnett, commented:

"I am pleased to report that IPF has delivered a record profit in 2010. This reflects a continued strong recovery from the global recession and accelerated growth in the final months of the year.

In 2011 we expect positive economic conditions in our markets and so aim to grow customers and credit issued at higher levels than 2010 and, therefore, expect the Group will continue to make good progress."

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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 2010 in order to present the underlying performance variance. Profit before taxation reflects continuing operations and is stated before an exceptional charge of £3.9 million. See note 8 for more information on the exceptional charge.

Summary

In 2010 pre-tax profit increased to a record £92.1 million, an uplift of 49.3% driven by good growth in credit issued, better credit quality and improved cost efficiency. This result is particularly pleasing because it is in line with the strategic plan which we developed in advance of IPF's stock market listing in 2007. It also demonstrates the resilience of our business model during a challenging period for the global economy.

Profit before taxation

The Group results are set out below:

	2010 £m	2009 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**2,211**	2,056	155	7.5	7.5
Credit issued	**764.5**	710.0	54.5	7.7	5.6
Average net receivables	**522.0**	481.1	40.9	8.5	6.0
Revenue	**608.7**	550.2	58.5	10.6	8.1
Impairment	**(168.1)**	(164.3)	(3.8)	(2.3)	0.8
	440.6	385.9	54.7	14.2	11.9
Finance costs	**(33.9)**	(30.9)	(3.0)	(9.7)	(10.4)
Agents' commission	**(68.0)**	(64.0)	(4.0)	(6.3)	(4.0)
Other costs	**(246.6)**	(229.3)	(17.3)	(7.5)	(5.2)
Profit before taxation*	**92.1**	61.7	30.4	49.3	

* From continuing operations and stated before an exceptional charge

During the year we saw progressive improvement in economic conditions across all our markets with the exception of Romania and, whilst maintaining tight credit control, we were able to shift our focus towards growth, particularly in the final quarter of the year. All markets delivered growth in customer numbers which increased overall by 7.5% to 2.2 million. As expected, the rate of growth was strongest in our developing markets of Mexico, where customers grew by 14.1%, and Romania, where customers grew by 26.2%.

The profile of growth through 2010 is illustrated by the growth of credit issued split by quarter, shown in the table below:

	Q1	Q2	Q3	Q4	**Full year**
Growth in credit issued	10.6%	3.0%	(0.3%)	9.0%	**5.6%**

Growth in the first quarter was flattered by comparison to the heavily recession affected first quarter of 2009 and it was not until the second half of 2010 that we felt sufficiently confident in the economic outlook to push for growth. In Quarter 3 we found caution amongst agents and managers remained a key factor inhibiting growth. In Quarter 4 we tackled this with an additional £2.8 million of investment in marketing, communication and incentives. This proved successful resulting in a 9.0% increase in credit issued in the fourth quarter, providing a strong platform for further growth as we enter 2011.

Overall, the amount of credit issued to customers grew by 5.6% and, as a result, the value of customer receivables grew by 6.0%. This produced a faster, 8.1% increase in revenue to £608.7 million, reflecting the benefit of the mid-2009 increase in service charge. Improvements in credit quality and collections performance driven by improving external conditions and our focus on these areas caused the impairment charge to reduce as a percentage of revenue by 2.3 percentage points from 29.9% in 2009 to 27.6%. Together these factors produced an increase in net revenue of 11.9% to £440.6 million.

Agents' commission costs increased by 4.0% to £68.0 million, in line with the growth of the business. Costs were managed tightly and as a result the ratio of other costs to revenue improved by 1.2 percentage points to 40.5% in 2010 despite incurring £5.3 million of incremental performance related pay and the additional £2.8 million of costs to drive growth, as noted above.

On funding, credit market conditions remained challenging during 2010 and so we were particularly pleased to conclude our refinancing with a diversification of sources and extension of maturity of debt financing: this included two successful five year bond issues and the agreement of new three year committed banking facilities. This gives security of funding and allows us to progress our growth plans. However, as we had expected, our borrowing margins increased and this led to a rise in finance costs which rose faster than revenue, up by 10.4% to £33.9 million.

The quarterly profit performance compared with 2009, set out in the table below, demonstrates the good progress made through the course of 2010:

£m	Q1	Q2	Q3	Q4	**Full year**
2010	2.0	28.5	24.4	37.2	**92.1**
2009	(8.5)	17.6	18.0	34.6	**61.7**
Change (£m)	10.5	10.9	6.4	2.6	**30.4**
% Change	*123.5*	*61.9*	*35.6*	*7.5*	***49.3***

The pattern of profit increase relative to 2009 shows the impact of the strong recovery from the recession-impacted first quarter of 2009 followed by slightly lower growth in the second and third quarters. In Quarter 4 2010, the £2.8 million investment in additional marketing spend to accelerate customer and receivables growth slowed profit growth in that quarter but provides a sound platform for further and stronger receivables growth in 2011.

Segmental split of results

All our markets made a positive contribution to the increase in Group profitability and, as expected, Hungary made the largest contribution. The segmental split of profit before tax by market is as follows:

Profit before taxation	**2010 £m**	2009 £m	Change £m	Change %
Poland	**49.0**	46.2	2.8	6.1
Czech-Slovakia	**41.7**	37.5	4.2	11.2
Hungary	**9.1**	(7.2)	16.3	226.4
Central Europe	**99.8**	76.5	23.3	30.5
UK – central costs	**(12.9)**	(12.7)	(0.2)	(1.6)
Established markets	**86.9**	63.8	23.1	36.2
Mexico	**3.5**	0.3	3.2	1,066.7
Romania	**1.7**	(2.4)	4.1	170.8
Developing markets	**5.2**	(2.1)	7.3	347.6
Profit before taxation*	**92.1**	61.7	30.4	49.3

* From continuing operations and stated before an exceptional charge

Our established Central European businesses made progress in 2010, with sales growth and lower impairment driving a 30.5% increase in pre-tax profit to £99.8 million. The strong recovery of our Hungarian business, which rapidly returned to profitability following the losses reported in 2009, was a key driver of this improvement with the businesses in Poland and Czech-Slovakia also reporting increased profits.

Poland had a difficult start to the year with unusually severe weather conditions leading to higher impairment, but thereafter performance improved as is demonstrated by growth in profits of 8.0% in the second half compared with 1.4% in the first half. We were also pleased to successfully transition the business to a growth focus in the fourth quarter which, alongside a 3.2% increase in customers across the year, created a solid platform for further growth in 2011. Taken overall, therefore, Poland made progress in 2010 and reported a 6.1% increase in pre-tax profit to £49.0 million.

The Czech-Slovakia business also made good progress in the year and reported increased profits of £41.7 million, an increase of 11.2% on the previous year. Customer numbers increased by 0.8%, although low impairment rates meant that it was able to grow credit issued at a faster rate of 4.8% and this enabled the business to grow revenue by 7.7%. Impairment remained low at 19.8% of revenue.

Hungary had an excellent year in 2010, recovering strongly from a very challenging year in 2009 during which the impact of the recession necessitated a restructuring and downsizing of the business. Pre-tax profit increased by £16.3 million, turning a prior year loss of £7.2 million into a profit of £9.1 million. Throughout the year, collections performance and credit quality in Hungary was the highest in the Group and this led to a significant reduction in impairment as a percentage of revenue to 15.3% compared with 40.2% in 2009. Strong growth was achieved, particularly in the second half, with credit issued up 21.5% year-on-year. This encouraging performance provides a strong platform to deliver further growth in Hungary and return the business to its former scale over the medium term.

Our Mexican business continued to grow and make progress. Pre-tax profit increased from £0.3 million to £3.5 million, customer numbers grew by 14.1% to 598,000 and impairment improved to 36.5% of revenue. In addition we opened three branches in a new region, Monterrey, at a cost of £0.8 million.

Mexico represents a key market for the Group and during the year we slowed growth to allow operations employees and agents to gain more experience in order to provide a sound base for future growth. Alongside this we planned, and have recently implemented, a revised field organisation and pay structure to improve effectiveness. 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.

Our Romanian business made excellent progress during 2010 and reported a maiden profit of £1.7 million. This was achieved against a difficult macro economic environment which was exacerbated by severe austerity measures implemented by the Government in July. The impact of these measures was well managed, with the business not only growing but also improving credit quality and collections. Customers now stand at 207,000, an increase of 26.2% on 2009, whilst impairment has reduced from 36.6% to 34.7% of revenue. Efficiency levels also improved significantly with the cost-income ratio reduced from 55.3% to 42.6% in 2010.

Exceptional charge

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 relate to the cost of closing out interest rate swaps upon refinancing.

Taxation

The taxation charge for the year was £29.0 million (2009: £16.1 million), which represents an increase in the effective tax rate to 33% (2009: 26%). The effective rate for 2010 was impacted by two significant factors. As previously announced, the rate of corporation tax in Hungary is to be reduced from 19% to 10% with effect from 2013. Whilst this is beneficial in the medium term it has resulted in a £4.4 million reduction in the Group's deferred tax asset and, therefore, has a one off adverse impact on the tax charge in 2010. In addition, the special bank tax in Hungary, which was introduced in 2010, resulted in an incremental tax charge of £3.7 million: this tax is expected to be in place until 2012. The effective rate is expected to be around 28% in 2011.

Dividend

Subject to shareholder approval, a final dividend of 3.74 pence per share will be declared. This represents an increase of 10% on last year and will bring the full year dividend to 6.27 pence per share (2009: 5.70 pence per share). This is consistent with our progressive dividend policy and our stated intention to move to a pay-out ratio of 25% of post-tax profit. The dividend will be paid on 20 May 2011 to shareholders on the register at the close of business on 15 April 2011. The shares will be marked ex-dividend on 13 April 2011.

Balance sheet and funding

The Group balance sheet has continued to strengthen in 2010 and the level of equity compared with receivables has increased to 54.5% (2009: 49.4%). At 31 December 2010, the Group had net assets of £309.0 million (2009: £259.8 million) and receivables of £566.9 million (2009: £525.6 million). The average period of receivables outstanding at the year end was 5.0 months (2009: 5.1 months) with 98.6% of year end receivables due within one year (2009: 98.0%).

During 2010 we achieved our objective of securing longer-term debt funding from diversified sources and at the end of the year the Group had £479.6 million of debt facilities comprising £236.5 million of bond funding maturing in 2015, £198.3 million of committed bank facilities maturing in 2013 and £44.8 million of short term facilities. There were no changes to financial covenants arising from the refinancing and all covenants were comfortably met in 2010.

During the year total Group borrowings reduced by £28.3 million to £304.3 million, reflecting the cash generative nature of the business model. This compares with total facilities of £479.6 million, giving headroom on facilities of £175.3 million. Gearing, calculated as borrowings divided by shareholders' equity, has reduced to 1.0 times (2009: 1.3 times).

Foreign exchange

Changes in foreign exchange rates had no significant impact on the 2010 results compared with the previous year. Our policy is to hedge the translation of reported profits only within the reporting period. In January 2011 we hedged the rates used to translate the majority of forecast profits for Poland, Czech-Slovakia, Hungary, Mexico and Romania for 2011. These rates overall are similar to those used to translate the results for the 2010 financial year. For further details on the exchange rates used see note 14.

Regulation and legislation

The new EU Consumer Credit Directive (CCD) has been implemented in all our European markets except Poland, which is expected to complete implementation in Quarter 3 of 2011. The most significant features are increased transparency and consumer rights together with a harmonisation of the definition of the Annual Percentage Rate (APR). In addition, the CCD standardises the rebate accruing to a customer in the event of full or partial early settlement. As previously indicated, we expect the changes to early settlement rebates to increase the rebate expense by approximately £15 million in 2011. The Romanian Government added some additional requirements as the CCD passed into law in December 2010. These will require some modifications to our product structures and credit policies, which we are in the process of making, but we do not expect them to have a material impact on the business.

In Poland the Office of Competition and Consumer Protection has conducted a review of practices in respect of customer early settlement rebates and has challenged the practices of a number of lenders, including IPF. We believe that the new early settlement regime to be introduced in accordance with the CCD will address their concerns and we have explained and confirmed the legality of our current practices. The next stage of the process is a further hearing which has been set for 3 March 2011.

New markets

New country entry remains a key element of our long-term strategy. At present our research is focused on the Ukraine and Bulgaria which are adjacent to our existing Central European markets and would enable us to leverage existing management teams. In both potential new markets there remain issues to resolve before we could consider entry on a pilot basis.

Prospects

We expect continued economic growth in our markets in 2011. As a result we aim to grow both customer numbers and credit issued at higher levels than in 2010 and we have made an encouraging start in the opening weeks of this year.

We will continue to maintain a strong focus on controlling our overall cost base, but as previously indicated there will be two material changes in 2011: funding costs will increase by approximately 2% of revenue following our successful refinancing and we will also bear higher customer rebate costs of around £15 million as a result of the EU Consumer Credit Directive.

Overall, the Group is confident of further good progress in 2011.

Operating review

Central Europe

Central Europe comprises our operations in Poland, Czech-Slovakia and Hungary. Together these markets reported a pre-tax profit of £99.8 million for 2010 compared with £76.5 million for 2009. This represents an increase in profit of £23.3 million, with £16.3 million of this arising from the improved performance of the Group's Hungarian business.

Profit before taxation	**2010**	2009	Change	Change
	£m	£m	£m	%
Poland	**49.0**	46.2	2.8	6.1
Czech-Slovakia	**41.7**	37.5	4.2	11.2
Hungary	**9.1**	(7.2)	16.3	226.4
Central Europe	**99.8**	76.5	23.3	30.5

The performance of each of the Central European markets is covered in more detail below.

Poland

Overall Poland made progress in 2010, reporting an increase in profit of 6.1% to £49.0 million. Performance improved as the year progressed and as the impact on collections and impairment of the unusually severe weather conditions experienced in the first quarter of the year lessened. During the year management successfully transitioned the business from its focus on collections for much of quarters two and three, to growth in the fourth quarter.

	2010	2009	Change	Change	Change at CER
	£m	£m	£m	%	%
Customer numbers (000s)	**782**	758	24	3.2	3.2
Credit issued	**296.4**	279.9	16.5	5.9	2.1
Average net receivables	**221.0**	215.7	5.3	2.5	(1.8)
Revenue	**245.3**	226.3	19.0	8.4	4.1
Impairment	**(75.1)**	(63.5)	(11.6)	(18.3)	(13.3)
	170.2	162.8	7.4	4.5	0.5
Finance costs	**(12.5)**	(13.9)	1.4	10.1	10.7
Agents' commission	**(24.9)**	(23.7)	(1.2)	(5.1)	(0.4)
Other costs	**(83.8)**	(79.0)	(4.8)	(6.1)	(2.1)
Profit before taxation	**49.0**	46.2	2.8	6.1	

Customers increased by 3.2% to 782,000 compared to 2009 and this is an important ingredient for stronger growth as we enter 2011.

Credit issued grew by 2.1%, although growth in the fourth quarter was higher at 4.5%. Average net receivables fell by 1.8% year-on-year, reflecting a flat second and third quarter, but revenue was 4.1% ahead of 2009. This was due to the full year impact of the increase in service charge that was implemented in the second half of 2009.

Impairment increased by 13.3% to £75.1 million. This was in part due to the spike in impairment as a result of the severe weather conditions in the first quarter of 2010 which did not fully unwind across the year but also weaker than expected later stage collection of loans issued in 2009. As a result the impairment charge in 2010 represented 30.6% of revenue compared to 28.1% in 2009. The credit quality of debt written in 2010 has improved and we expect the impairment charge to move down into our target range of 25-30% of revenue in 2011.

Finance costs were £1.4 million lower than 2009 due to lower levels of borrowing partially offset by an increase in the rate of interest paid on borrowings following the refinancing in the second half of the year. Agents' commission costs increased in line with growth and the increase in other costs was limited to 2.1% despite higher performance bonus payments and marketing costs.

In 2011 we will focus on growing customer numbers towards our medium-term target of one million customers, together with improved credit quality.

Czech Republic and Slovakia

The Czech-Slovakian business delivered an increase in pre-tax profit of 11.2% to £41.7 million through a combination of growth and a slight reduction in impairment as a percentage of revenue.

	2010 £m	2009 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**386**	383	3	0.8	0.8
Credit issued	**185.4**	178.1	7.3	4.1	4.8
Average net receivables	**131.9**	118.9	13.0	10.9	11.3
Revenue	**137.7**	128.5	9.2	7.2	7.7
Impairment	**(27.3)**	(25.9)	(1.4)	(5.4)	(5.8)
	110.4	102.6	7.8	7.6	8.1
Finance costs	**(5.7)**	(5.4)	(0.3)	(5.6)	(7.5)
Agents' commission	**(14.7)**	(14.4)	(0.3)	(2.1)	(2.8)
Other costs	**(48.3)**	(45.3)	(3.0)	(6.6)	(5.9)
Profit before taxation	**41.7**	37.5	4.2	11.2	

Customer numbers increased by 0.8% year-on-year and credit issued increased by 4.8%, although the rate of growth in credit issued accelerated to 13.4% in the fourth quarter. Average net receivables grew by 11.3% whereas growth in revenue was lower at 7.7% due to the impact of higher early settlement rebates paid to customers in Slovakia, following the implementation of the EU Consumer Credit Directive in July 2010.

Collections performance remained robust, which was reflected in impairment as a percentage of revenue reducing slightly to 19.8% (2009: 20.2%).

Finance costs increased by 7.5% due to the impact of higher funding costs partially offset by lower levels of borrowing. Agents' commission costs increased in line with growth at 2.8% and other costs increased by 5.9%.

The key focus for 2011 is to generate stronger customer growth. We expect this will lead to some weakening in credit quality but there is room for this as impairment as a percentage of revenue is well below our benchmark level. Overall, we are expecting Czech-Slovakia to continue to make good progress.

Hungary

Hungary has recovered strongly from the very difficult macro economic environment that it faced in 2009, demonstrating the resilience of the business model. It reported a profit of £9.1 million in 2010 compared with a loss of £7.2 million in 2009 (including £3.0 million of restructuring costs), an improvement of £16.3 million, driven mainly by much lower levels of impairment.

	2010 £m	2009 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**238**	227	11	4.8	4.8
Credit issued	**95.1**	88.7	6.4	7.2	9.3
Average net receivables	**62.5**	69.4	(6.9)	(9.9)	(9.0)
Revenue	**74.0**	84.8	(10.8)	(12.7)	(11.9)
Impairment	**(11.3)**	(34.1)	22.8	66.9	67.3
	62.7	50.7	12.0	23.7	26.9
Finance costs	**(6.0)**	(6.5)	0.5	7.7	4.8
Agents' commission	**(12.7)**	(14.3)	1.6	11.2	9.9
Other costs	**(34.9)**	(37.1)	2.2	5.9	4.6
Profit / (loss) before taxation *	**9.1**	(7.2)	16.3	226.4	

*2009 including £3.0 million of restructuring costs

Following the restructuring and downsizing of the customer base in June 2009, the key task for 2010 was to return credit quality to target levels and to re-start growth. To support this there was a need to rebuild the confidence of agents and managers. This was successfully achieved. The management team in Hungary achieved good credit quality during the first half creating the platform for a return to growth in the second half when credit issued grew by 21.5%. The business ended the year with 238,000 customers, an increase of 4.8%, and we aim to rebuild the customer base to its previous level of 300,000 plus over the medium term.

Average net receivables were 9.0% lower than 2009 due to the impact of the downsizing and this together with the impact of the CCD Early Settlement Rebates resulted in an 11.9% reduction in revenues. However, this was more than offset by the improvement in credit quality. Credit quality and collections performance have been excellent in 2010 with impairment as a percentage of revenue at 15.3% compared to 40.2% in 2009.

Agents' commission costs reduced in line with lower revenue. Expenses were broadly flat year on year, after adjusting for the £3.0 million of restructuring costs incurred in 2009, reflecting a rise in the cost of field performance incentives and bonus costs. Financing costs were £0.5 million lower than 2009 due to reduced borrowing requirements partially offset by higher funding costs.

While challenges remain, the Hungarian economy is slowly recovering and competition remains weak. We aim to achieve faster growth in customer numbers and credit issued in 2011, with impairment as a percentage of revenue likely to move up as the proportion of new customers in the loan book increases. Overall, the business is in very good shape and a sound platform has been built for further progress in 2011.

Mexico

Our Mexican business continued to grow and make progress. Pre-tax profit increased from £0.3 million to £3.5 million, customer numbers grew by 14.1% to 598,000 and impairment improved to 36.5% of revenue. In addition we opened three branches in a new region, Monterrey, at a cost of £0.8 million.

Mexico represents a key growth market for the Group and we are keenly aware that we need to ensure that our operational processes and levels of experience form a sound foundation for the substantial future growth we plan to achieve. During the year we recognised the need to increase the level of experience of our local managers and agents. Accordingly, we slowed growth to allow operations employees and agents to gain more experience and we have recently implemented a revised field organisation and pay structure as part of our strategy for improving effectiveness.

The profit before taxation is analysed by region as follows:

	2010 £m	2009 £m	Change £m	Change %
Puebla	**5.2**	2.9	2.3	79.3
Guadalajara	**6.7**	3.9	2.8	71.8
Monterrey	**(0.8)**	-	(0.8)	(100.0)
Head office	**(7.6)**	(6.5)	(1.1)	(16.9)
Profit before taxation	**3.5**	0.3	3.2	1,066.7

The results for the year are set out below:

	2010 £m	2009 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**598**	524	74	14.1	14.1
Credit issued	**113.0**	99.2	13.8	13.9	4.9
Average net receivables	**65.1**	48.6	16.5	34.0	23.8
Revenue	**101.2**	74.8	26.4	35.3	24.9
Impairment	**(36.9)**	(27.7)	(9.2)	(33.2)	(23.0)
	64.3	47.1	17.2	36.5	26.1
Finance costs	**(5.9)**	(4.5)	(1.4)	(31.1)	(22.9)
Agents' commission	**(10.8)**	(8.2)	(2.6)	(31.7)	(21.3)
Other costs	**(44.1)**	(34.1)	(10.0)	(29.3)	(18.9)
Profit before taxation	**3.5**	0.3	3.2	1,066.7	

Customers have continued to grow in Mexico, increasing by 14.1% to 598,000. The rate of growth in credit issued was lower at 4.9% reflecting our focus on maintaining credit quality. Average net receivables were 23.8% higher year-on-year, reflecting the very strong growth towards the end of 2009. This delivered good revenue growth of 24.9%.

The impairment charge as a percentage of revenue improved to 36.5% in 2010 (2009: 37.0%). This reflected a higher impairment charge in the first quarter followed by progressive improvements throughout the rest of the year as the strengthening of management practices had a positive impact on collections and impairment levels.

Impairment charge % of revenue	Q1	Q2	Q3	Q4	**Year**
2010	44.3	35.9	35.5	30.7	**36.5**
2009	40.3	36.7	38.1	34.2	**37.0**

Finance costs increased by 22.9% to £5.9 million which was due to the higher cost of the Group's new funding structure. Agents' commission cost increased broadly inline with revenue. Other costs increased by 18.9% to £44.1 million in order to support the strengthening of the business and its expansion into Monterrey. The cost-income ratio improved from 45.6% to 43.6% in 2010.

During 2011, we will allow our operational changes to settle in and gain traction but expect faster growth as the year progresses. We aim to open five new branches all in the Puebla and Guadalajara regions. We do not intend to open any further branches in Monterrey whilst we gain insight into the performance of the current three branches. Overall, during 2011 we expect our Mexico operation to improve its scalability and to further improve performance.

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.

Romania

The business in Romania delivered a maiden profit of £1.7 million, a £4.1 million improvement from the loss of £2.4 million reported in 2009. This represents an excellent performance, particularly in light of economic conditions, which remain difficult in Romania. The austerity measures introduced by the Government in July 2010 included a 25% reduction in public sector salaries and a 5% increase in the VAT rate. The impact of these measures has been well-managed with the business both growing strongly and also improving its credit quality and collections performance.

The results of our Romanian operation for the year are set out below:

	2010 £m	2009 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**207**	164	43	26.2	26.2
Credit issued	**74.6**	64.1	10.5	16.4	20.5
Average net receivables	**41.5**	28.6	12.9	45.1	50.4
Revenue	**50.5**	35.8	14.7	41.1	46.0
Impairment	**(17.5)**	(13.1)	(4.4)	(33.6)	(37.8)
	33.0	22.7	10.3	45.4	50.7
Finance costs	**(4.9)**	(1.9)	(3.0)	(157.9)	(206.3)
Agents' commission	**(4.9)**	(3.4)	(1.5)	(44.1)	(48.5)
Other costs	**(21.5)**	(19.8)	(1.7)	(8.6)	(13.2)
Profit / (loss) before taxation	**1.7**	(2.4)	4.1	170.8	

The business passed the 200,000 customer milestone in November 2010 and ended the year with 207,000 customers, an increase of 26.2%. This growth has been achieved without geographical expansion, which remains on hold until we become more confident about the economic outlook. Credit issued grew at a similar rate of 20.5%. Average receivables grew by just over 50% to £41.5 million reflecting this growth and stronger growth in 2009 and this led to a 46.0% increase in revenue during 2010.

Management have done well to improve credit quality and collections performance despite the Government's austerity measures. This is reflected in an improvement in impairment as a percentage of revenue to 34.7% (2009: 36.6%). We expect impairment to continue to improve in the next couple of years and track down to our expected 25-30% range for a mature market.

Finance costs increased by £3.0 million in 2010 due to higher borrowing requirements together with an increase in funding costs following the Group's refinancing.

Agents' commission increased in line with revenue to £4.9 million. Other costs increased at a rate that was much lower than the growth in revenue reflecting the impact of leveraging the existing infrastructure base. This resulted in a significant improvement in the cost-income ratio from 55.3% to 42.6% in 2010.

International Personal Finance plc

Consolidated income statement for the year ended 31 December

	Notes	2010 Pre exceptional items £m	Exceptional items £m	2010 £m	2009 £m
Revenue*	4	608.7	-	608.7	550.2
Impairment	4	(168.1)	-	(168.1)	(164.3)
Revenue less impairment		440.6	-	440.6	385.9
Finance costs		(33.9)	(6.8)	(40.7)	(30.9)
Other operating costs		(93.7)	-	(93.7)	(86.0)
Administrative expenses		(220.9)	2.9	(218.0)	(207.3)
Total costs		(348.5)	(3.9)	(352.4)	(324.2)
Profit before taxation – continuing operations	4	**92.1**	**(3.9)**	**88.2**	**61.7**
Tax expense – UK		0.9	(0.8)	0.1	(3.8)
– Overseas		(30.7)	1.6	(29.1)	(12.3)
Total tax expense	5	(29.8)	0.8	(29.0)	(16.1)
Profit after taxation - continuing operations		**62.3**	**(3.1)**	**59.2**	**45.6**
Loss after taxation from discontinued operations	9	-	-	-	(12.8)
Profit after taxation attributable to equity shareholders		**62.3**	**(3.1)**	**59.2**	**32.8**

* All amounts included in revenue are defined as finance income under IFRS 7

Earnings per share – continuing operations

	Notes	2010 pence	2009 pence
Basic	6	**23.34**	**17.78**
Diluted	6	**23.09**	**17.67**

Earnings per share – pre exceptional profit

	Notes	2010 pence	2009 pence
Basic	6	**24.57**	**17.78**
Diluted	6	**24.32**	**17.67**

Earnings per share

	Notes	2010 pence	2009 pence
Basic	6	**23.34**	**12.78**
Diluted	6	**23.09**	**12.70**

Dividend per share

	Notes	2010 pence	2009 pence
Interim dividend	7	2.53	2.30
Final dividend proposed	7	3.74	3.40
Total dividend		**6.27**	**5.70**

Dividends paid

	Notes	2010 £m	2009 £m
Interim dividend of 2.53 pence per share (2009: 2.30 pence per share)	7	6.5	5.9
Final 2009 dividend of 3.40 pence per share (2009: final 2008 dividend 3.40 pence per share)	7	8.6	8.6
Total dividends paid		**15.1**	**14.5**

Consolidated statement of comprehensive income for the year ended 31 December

	2010 £m	2009 £m
Profit after taxation attributable to owners of the parent	59.2	32.8
Other comprehensive income:		
Exchange gains/(losses) on foreign currency translations	0.7	(16.2)
Net fair value gains – cash flow hedges	4.1	1.5
Actuarial gains/(losses) on retirement benefit obligation	0.8	(5.9)
Tax (charge)/credit on items taken directly to equity	(2.2)	1.3
Other comprehensive income/(expense) net of taxation	3.4	(19.3)
Total comprehensive income for the year attributable to owners of the parent	**62.6**	**13.5**

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

Consolidated balance sheet as at 31 December

	Notes	2010 £m	2009 £m
Assets			
Non-current assets			
Intangible assets		6.8	11.4
Property, plant and equipment	10	35.7	39.5
Deferred tax assets		48.5	46.5
		91.0	97.4
Current assets			
Amounts receivable from customers			
- due within one year		558.8	514.9
- due in more than one year		8.1	10.7
	11	566.9	525.6
Cash and cash equivalents		23.5	31.2
Other receivables		21.3	16.3
		611.7	573.1
Total assets		702.7	670.5
Liabilities			
Current liabilities			
Borrowings	12	(19.5)	(111.6)
Derivative financial instruments		(4.5)	(7.9)
Trade and other payables		(55.9)	(47.1)
Current tax liabilities		(25.7)	(15.6)
		(105.6)	(182.2)
Non-current liabilities			
Retirement benefit obligation	13	(3.3)	(7.5)
Borrowings	12	(284.8)	(221.0)
		(288.1)	(228.5)
Total liabilities		(393.7)	(410.7)
Net assets		**309.0**	**259.8**
Shareholders' equity			
Called-up share capital		25.7	25.7
Other reserves		11.3	8.3
Retained earnings		272.0	225.8
Total equity		**309.0**	**259.8**

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 2009	25.7	(22.5)	45.9	209.7	258.8
Comprehensive income:					
Profit after taxation for the year	-	-	-	32.8	32.8
Other comprehensive income:					
Exchange losses on foreign currency translations	-	-	(16.2)	-	(16.2)
Net fair value gains – cash flow hedges	-	-	1.5	-	1.5
Actuarial losses on retirement benefit obligation	-	-	-	(5.9)	(5.9)
Tax (charge)/credit on items taken directly to equity	-	-	(0.4)	1.7	1.3
Total other comprehensive expense	-	-	(15.1)	(4.2)	(19.3)
Total comprehensive (expense)/income for the year	-	-	(15.1)	28.6	13.5
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	2.0	2.0
Dividends paid to Company shareholders	-	-	-	(14.5)	(14.5)
Balance at 31 December 2009	25.7	(22.5)	30.8	225.8	259.8
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 translation	-	-	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**

* 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

	2010 £m	2009 £m
Cash flows from operating activities		
Continuing operations		
Cash generated from operations	97.3	122.1
Finance costs paid	(35.7)	(32.6)
Income tax paid	(22.6)	(14.6)
Discontinued operations	-	(8.6)
Net cash generated from operating activities	39.0	66.3
Cash flows from investing activities		
Continuing operations		
Purchases of property, plant and equipment	(10.6)	(7.9)
Proceeds from sale of property, plant and equipment	2.9	2.9
Purchases of intangible assets	(0.5)	(1.9)
Discontinued operations	-	1.0
Net cash used in investing activities	(8.2)	(5.9)
Net cash from operating and investing activities		
Established businesses	42.5	109.0
Start-up businesses	(11.7)	(41.0)
Discontinued operations	-	(7.6)
Net cash generated from operating and investing activities	30.8	60.4
Cash flows from financing activities		
Continuing operations		
Proceeds from borrowings	275.6	-
Repayment of borrowings	(298.5)	(72.6)
Dividends paid to Company shareholders	(15.1)	(14.5)
Discontinued operations	-	-
Net cash used in financing activities	(38.0)	(87.1)
Net decrease in cash and cash equivalents	(7.2)	(26.7)
Cash and cash equivalents at beginning of year	31.2	62.2
Exchange losses on cash and cash equivalents	(0.5)	(4.3)
Cash and cash equivalents at the end of the year	**23.5**	**31.2**

Reconciliation of profit after taxation to cash flows from continuing operations

	2010 £m	2009 £m
Profit after taxation from continuing operations	59.2	45.6
Adjusted for:		
Tax charge	29.0	16.1
Finance costs	40.7	30.9
Share-based payment charge	1.7	2.0
Defined benefit pension (credit)/charge	(2.7)	0.6
Depreciation of property, plant and equipment	11.4	13.4
Profit on sale of property, plant and equipment	(0.3)	(0.3)
Amortisation of intangible assets	5.1	5.0
Changes in operating assets and liabilities:		
Amounts receivable from customers	(36.6)	5.4
Other receivables	(5.3)	1.7
Trade and other payables	(4.9)	4.9
Retirement benefit obligation	(0.7)	(0.5)
Derivative financial instruments	0.7	(2.7)
Cash generated from continuing operations	**97.3**	**122.1**

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

	2010 £m	2009 £m
Established markets	93.8	155.7
Developing markets	3.5	(33.6)
Continuing operations	**97.3**	**122.1**

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 2010

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 2010, 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 auditors for release.

The Group Financial Statements for the year ended 31 December 2010 on which the auditors have 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 25 March 2011.

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 2009 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 2010, but do not have any impact on the Group:

- IFRS 1 (revised), 'First-time adoption'
- IFRS 2 (amendment) 'Group cash-settled share-based payment transactions'
- IFRS 3 (revised), 'Business combinations'
- IFRS 5 (amendment) 'Non-current assets held for sale and discontinued operations'
- IFRIC 18 'Transfers of assets from customers'
- IAS 1 (amendment) 'Presentation of Financial Statements'
- IAS 38 (amendment) 'Intangible assets'
- IAS 36 (amendment) 'Impairment of assets'
- IAS 27 (revised) 'Consolidated and separate Financial Statements'
- IFRIC 17 'Distributions of non cash assets to owners'

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

- IFRS 1 (amendment) 'Hyperinflation and fixed dates'

- IFRS 7 (amendment) ‘Financial instruments: disclosures’
- 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 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The Group is in the process of assessing IFRS 9's full impact.
- IAS 12 (amendment) ‘Income taxes’
- IAS 24 (revised) ‘Related party disclosures’
- IAS 32 (amendment) ‘Classification of rights issues’
- IFRIC 14 (amendment) ‘Prepayments of a minimum funding requirement’
- IFRIC 19 ‘Extinguishing financial liabilities with equity instruments’

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 rapid, 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, operational 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 the following areas to ensure this risk is kept within appetite: – credit risk; – operating risk; and – funding risk.
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.

Reputation / 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.

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 they 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.

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 55%. At 31 December 2010 there was headroom of £175.3 million on £479.6 million of bonds, and syndicated and bilateral banking facilities. Our banking facilities are committed until November 2013 and bond funding matures 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 grow rapidly and to expand our business into new, emerging markets. There is a risk that our model would not be scalable if we were to fail to apply our business model 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 operational underperformance. We will not accept any persistent or significant variations to our standard operating model for factors other than local legal requirements. We will not accept Best Practice Guide (our measurement of compliance with the standard operating model) scores less than 95%.	We have defined our standard operating model and set this out in our Best Practice Guide, which all our markets have implemented. We only implement significant business change initiatives following a proven and approved champion/challenger business case and pilot. We ensure that new branch or interview room 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 designed to ensure all key risks are identified, measured,

		monitored and appropriately mitigated.
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. (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 successfully implement the Group strategy.	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 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 continually seek to 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 is achieved and ensure that all reasonably practicable steps are taken to mitigate risks to all employees and agents in the operation of their duties. 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.

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 operational processes. Standard project management methodology is applied across the Group.

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 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.

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 accounts 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 Group's auditors and 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.

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 will implement 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 generally held with A2 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 will implement procedures aimed at preventing us from entering into any long-term or material contract where the failure of the counterparty would impact the income statement by 10% or more of annual profits, unless there is no reasonable alternative.	There are regular risk assessments of other key counterparties. 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 2010.

4. Segmental information

Operating segments

	2010 £m	2009 £m
Revenue		
Poland	245.3	226.3
Czech-Slovakia	137.7	128.5
Hungary	74.0	84.8
Mexico	101.2	74.8
Romania	50.5	35.8
	608.7	550.2
Impairment		
Poland	75.1	63.5
Czech-Slovakia	27.3	25.9
Hungary	11.3	34.1
Mexico	36.9	27.7
Romania	17.5	13.1
	168.1	164.3
Profit before taxation		
Poland	49.0	46.2
Czech-Slovakia	41.7	37.5
Hungary	9.1	(7.2)
UK – central costs*	(12.9)	(12.7)
Established markets	86.9	63.8
Mexico	3.5	0.3
Romania	1.7	(2.4)
Developing markets	5.2	(2.1)
Profit before taxation – pre exceptional items	**92.1**	**61.7**
Exceptional items	(3.9)	-
Profit before taxation – continuing operations	**88.2**	**61.7**
Discontinued operations	-	(10.7)
Profit before taxation	**88.2**	**51.0**
Total assets		
Poland	269.1	272.2
Czech-Slovakia	169.3	156.3
Hungary	87.4	89.6
UK	28.6	27.7
Mexico	92.1	76.2
Romania	56.2	48.5
	702.7	**670.5**

* 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.

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 tax expense for the year in respect of continuing operations is 33% (2009: 26%). The effective rate for 2010 was impacted by two significant factors. As previously announced, the rate of corporation tax in Hungary is to be reduced from 19% to 10% with effect from 2013. Whilst this is beneficial in the medium term it has resulted in a £4.4 million reduction in the Group's deferred tax asset and, therefore, has a one off adverse impact on the tax charge in 2010. In addition, the special bank tax in Hungary, which was introduced in 2010, resulted in an incremental tax charge of £3.7 million: this tax is expected to be in place until 2012.

The tax charge in respect of discontinued operations is £nil (2009: charge of £2.1 million) and is included in the cost of discontinued operations, as detailed in note 9.

6. Earnings per share

Basic earnings per share (EPS) from continuing operations is calculated by dividing the earnings attributable to shareholders of £59.2 million (31 December 2009: £45.6 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 (2009: 256.5 million).

	2010 pence	2009 pence
Basic EPS – continuing operations	23.34	17.78
Dilutive effect of awards	(0.25)	(0.11)
Diluted EPS – continuing operations	**23.09**	**17.67**

Basic EPS analysed as:

	2010 pence	2009 pence
Poland	13.07	13.31
Czech-Slovakia	11.11	10.80
Hungary	2.42	(2.07)
Central Europe	26.60	22.04
UK central costs	(3.43)	(3.66)
Established markets	23.17	18.38
Mexico	0.95	0.09
Romania	0.45	(0.69)
EPS from pre-exceptional profit	**24.57**	**17.78**
Exceptional charge	(1.23)	-
EPS – continuing operations	**23.34**	**17.78**

For diluted EPS the weighted average number of shares has been adjusted to 256.4 million to take account of all potentially dilutive shares (2009: adjusted to 258.1 million).

Earnings per share – including discontinued operations

	2010 pence	2009 pence
Basic EPS – including discontinued operations	23.34	12.78
Dilutive effect of awards	(0.25)	(0.08)
Diluted EPS – including discontinued operations	**23.09**	**12.70**

The earnings per share including discontinued operations has been calculated by dividing the profit in respect of continuing and discontinued operations of £59.2 million (2009: profit of £32.8 million) by the same number of shares as in the EPS from continuing operations calculation.

7. Dividends

The directors are recommending a final dividend in respect of the financial year ended 31 December 2010 of 3.74 pence per share which will amount to a dividend payment of £9.5 million. If approved by the shareholders at the annual general meeting, this dividend will be paid on 20 May 2011 to shareholders who are on the register of members at 15 April 2011. This dividend is not reflected as a liability in the balance sheet as at 31 December 2010 as it is subject to shareholder approval.

8. Exceptional items

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. Discontinued operations

On 29 April 2009 the board took the decision to close the Russian pilot operation and withdraw from that market. The operation has not traded since that date and has been classified as a discontinued operation in this financial information. Total costs of £12.8 million were included in the income statement in respect of Russia for the twelve months ended 31 December 2009. These costs can be analysed as follows:

	2010 £m	2009 £m
Trading losses to end of April 2009	-	3.0
Write-off of goodwill	-	3.0
Write-off of other assets including customer receivables and property, plant and equipment	-	0.9
Other closure costs	-	3.8
Loss before taxation	-	10.7
Taxation	-	2.1
Loss from discontinued operations	**-**	**12.8**

10. Property, plant and equipment

	2010 £m	2009 £m
Net book value at start of year	39.5	52.4
Exchange adjustments	(0.4)	(3.8)
Additions	10.6	7.9
Disposals	(2.6)	(3.6)
Depreciation	(11.4)	(13.4)
Net book value at end of year	**35.7**	**39.5**

As at 31 December 2010 the Group had £1.8 million of capital expenditure commitments with third parties that were not provided for (2009: £2.9 million).

11. Amounts receivable from customers

	2010 £m	2009 £m
Poland	237.6	232.3
Czech-Slovakia	145.4	130.4
Hungary	69.4	63.6
Mexico	67.5	60.7
Romania	47.0	38.6
Total receivables	**566.9**	**525.6**

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% (2009: 126%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 5.0 months (2009: 5.1 months).

The Group only 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 £376.1 million (2009: £335.8 million).

12. Borrowings

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

	2010		2009	
	Borrowings £m	Facilities £m	Borrowings £m	Facilities £m
Due in less than one year	19.5	44.8	111.6	188.4
Due between one and two years	-	-	221.0	409.9
Due between two and five years	284.8	434.8	-	-
	284.8	434.8	221.0	409.9
Total borrowings	**304.3**	**479.6**	**332.6**	**598.3**

13. Retirement benefit obligation

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

	2010 £m	2009 £m
Equities	19.5	16.8
Bonds	7.3	6.9
Index-linked gilts	5.2	4.7
Other	2.8	2.5
Total fair value of scheme assets	34.8	30.9
Present value of funded defined benefit obligation	(38.1)	(38.4)
Net obligation recognised in the balance sheet	**(3.3)**	**(7.5)**

The credit recognised in the income statement in respect of defined benefit pension costs is £2.7 million (2009: charge of £0.6 million). This comprises a cost of £0.2 million (2009: £0.6 million) offset by a pension curtailment gain of £2.9 million (2009: £nil), arising on the closure of the scheme to future accrual, which has been included as an exceptional credit in administrative expenses.

14. 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 2011.

	Hedged 2011	Average 2010	Closing 2010	Average 2009	Closing 2009
Poland	4.7	4.7	4.6	4.6	4.6
Czech Republic	29.5	29.4	29.1	29.5	29.7
Slovakia	1.2	1.1	1.2	1.1	1.1
Hungary	335.6	317.3	324.0	323.1	303.6
Mexico	19.8	20.4	19.3	21.1	21.1
Romania	5.2	4.9	4.9	4.6	4.8

15. Derivatives

At 31 December 2010 the Group had liabilities of £4.5 million (2009: £7.9 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.

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; 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 applicable set of accounting 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 13 April 2011.

2. The final dividend, which is subject to shareholder approval, will be paid on 20 May 2011 to shareholders on the register at the close of business on 15 April 2011. Dividend warrants/vouchers will be posted on 18 May 2011.

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 2010, the notice of the annual general meeting and a proxy card will be posted on Thursday 24 March 2011 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 Friday 25 March 2011 or an email with the equivalent information.

5. The annual general meeting will be held at 10.30 am on Wednesday 11 May 2011 at International Personal Finance plc, Number Three, Leeds City Office Park, Meadow Lane, Leeds, LS11 5BD.

Investor relations and media contacts:

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