



**Half-year financial report
for the six months ending 30 June 2022**

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Notes

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

27 July 2022

International Personal Finance plc

Half-year financial report for the six months ending 30 June 2022

Principal activity

International Personal Finance plc is helping to build a better world through financial inclusion by providing unsecured consumer credit to 1.7m underserved customers across nine countries.

SUSTAINABLE GROWTH AND STRONG FINANCIAL PERFORMANCE

Key highlights

- **Very good first half financial performance underpinning a 23% increase in the interim dividend**
 - Reported first-half profit before tax of £33.8m (H1-21: £43.3m), with all businesses delivering profitable performances.
 - Underlying first-half profit before tax grew by 45%, after excluding Covid-19 impairment provision releases in H1-21 of £20m.
 - Increase in the interim dividend of 23% to 2.7 pence per share, consistent with the new progressive dividend policy announced in February 2022 (H1-21: 2.2 pence).

- **Strong growth in customer lending and excellent credit quality**
 - Customer lending increased by 14% (at CER) driven by improving demand.
 - Closing customer net receivables of £770m, up 14% year on year (at CER).
 - Customer number growth of 2% to 1.72m customers.
 - Strong customer repayment performance together with tight credit standards delivered an impairment rate of 7.5% (H1-21: 6.5%).

- **Robust funding position and well-capitalised balance sheet**
 - Headroom on funding facilities of £68m, supports the Group's growth plans into Q4-23.
 - Equity to receivables ratio of 52.4% at H1-22 (H1-21: 53.8%), supports growth plans and progressive dividend policy.

- **Substantial and sustainable long-term opportunities**
 - Developing exciting new loan card offering to meet the future needs of consumers in Poland; testing due to commence in Q4-22.
 - Expanded customer representative network and opened new region in Northwest Mexico.
 - Clearly defined financial model implemented throughout the Group, which aligns all stakeholders and is underpinned by a new target ROE of 15%+.

Group key statistics	H1-22	H1-21	YOY change at CER
Customer numbers (000s)	1,718	1,679	2.3%
Customer lending (£m)	513.3	459.9	13.9%
Closing net receivables (£m)	769.9	674.2	14.0%
Reported PBT (£m)	33.8	43.3	(21.9%)
Pre-exceptional EPS (pence)*	9.1	10.3	(11.7%)
Annualised pre-exceptional ROE (%)*	10.4	6.4	4.0 ppts
Interim dividend per share (pence)	2.7	2.2	22.7%

* Before an exceptional tax credit of £10.5m, see page 17 for details.

Gerard Ryan, Chief Executive Officer at IPF commented:

“We delivered strong growth and a very good financial performance across the Group in the first half of the year. I am pleased to report a 45% growth in underlying profit before tax, with all of our businesses being profitable in the period. We continued to successfully execute our growth strategy and have attracted more customers, increased customer lending in all of our divisions and maintained our focus on excellent credit quality. Whilst the external landscape has become more challenging due to global inflationary pressure and the uncertainties caused by the war in Ukraine, we saw a steady improvement in demand over the course of the second quarter which has continued into the third quarter.

I would like to thank all of our colleagues for their contribution to this result and their ongoing care for our customers and the communities we serve. We see substantial and sustainable long-term growth opportunities for the Group which we will achieve by meeting the needs of more customers with an increased choice of products and distribution channels.”

Alternative performance measures

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

Investor relations and media contact

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International Personal Finance will host a webcast of its 2022 half-year results presentation at 09.00hrs (BST) today – Wednesday 27 July 2022, which can be accessed via our website at www.ipfin.co.uk.

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

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Chief Executive Officer's review

Group performance

We delivered strong growth and a very good financial performance across the Group in the first half of the year, despite the backdrop of resurgent Covid-19 outbreaks in Q1-22, the war in Ukraine and, more recently, the cost-of-living crisis. Customer lending increased by 14% (at CER) year on year as did closing net receivables which ended the first half at £770m. Customer numbers grew by 2% to 1.72m. First half profit before tax grew by 45% to £33.8m on an underlying basis and, pleasingly, all of our business divisions delivered good lending growth and contributed profitable performances to the first half result. The Group has a well-capitalised balance sheet, and our funding position remains robust with good headroom on debt facilities to fund our significant growth plans to Q4-23.

Full details of the Group financial performance are detailed in the Financial Review of this half-year report.

Marketplace and competitive environment

We believe that we have managed the impact of the pandemic better than most of our competitors through our strong focus on our colleagues, our loyal customers and cashflow management. Whilst we have seen some market rationalisation amongst our competitors, the main incumbents remain broadly the same with marketing spend moving back to pre-Covid-19 levels. We have seen very few new entrants trying to serve our segments.

In Mexico, the main competitors to our home credit business remain those with a physical presence, either through branch-based interactions or group-based lending models as they seek to establish direct relationships with customers. Even though Mexican society is highly digitised, the 'D' socio-economic segment we serve retains cash as their preferred transaction method, and we see no increase in bank account penetration. They are also particularly underserved and, it is for these reasons, we see long-term growth for our customer representative-based lending model including the progressive opening of new regions. We will also continue to digitise certain elements of the customer experience to make life easier for our customers whilst retaining the core personal relationships we have with them.

In our European home credit markets, competition continues to be from digital lenders, banks and smaller home credit operators. Hungary and Romania are our least competitive markets with far fewer digital players, whereas Poland and the Czech Republic have higher numbers. Across these four countries we are the clear market leader for home credit and, due to the very high barriers to entry, we expect to retain our market position. Our strategy is to consolidate the success of home credit by providing more value to customers and to replicate the success of building a profitable digital business in Poland under the Provident brand.

The Baltics are the most digitally mature markets in the Group and some of the most digitally advanced societies in the world. These markets, together with Australia, are highly competitive and our strategy for IPF Digital is to have market leading digital products, including our new mobile wallet, supported by seamless and efficient customer journeys.

Globally, we have seen the rise of Buy Now Pay Later (BNPL) options. The viability of BNPL as a sustainable model is being questioned as the sector struggles to reach profitability amid tougher economic conditions and expected tighter regulation. Whilst BNPL is not competing directly with us, due to its typically much smaller ticket size, the expectation from customers wanting finance at the point of sale is likely to persist even if BNPL does not in its current form. As a result, we are continuing to develop our partnership strategy to provide credit options for retailers and their consumers.

Our purpose and strategy

Building a better world through financial inclusion

Our Group is an internationally important consumer credit provider helping people excluded from mainstream finance to access simple, personal and affordable finance and insurances to help and protect them and their families. We aim to support customers on low-to-moderate incomes including those with limited or no credit history as well as customers who are regularly turned away by banks. We do so through our family of simple products that meet our customers specific needs and by creating the channels to make them as accessible as possible.

Strong progress on strategy

Our growth strategy focuses on delivering an excellent service to our existing loyal customers and increasing our number of compelling product choices and channels to attract the next generation of consumers. Over the last 25 years we have built a family of lending products ranging from customer representative-managed loans through to digital instalment loans, revolving credit lines and mobile wallet products. We deploy a range of products across our nine markets tailored to meet both the preferences of our target customers and local regulatory requirements. In addition to our credit products, we also provide additional value to our customers through the provision of customised insurances at much lower prices than our customers can obtain themselves.

We continued to successfully execute our strategy to support financial inclusion and deliver growth in the first half of the year. We are in a strong position to support our customers even in difficult times with capability built up through decades of understanding and meeting their needs.

We made further good progress against our strategic objectives in the first half by:

- Increasing the number of customers taking advantage of our hybrid credit propositions in Poland, the Czech Republic and Mexico which offer a blend of our customer representative and digital channels to consumers who do not have a strong enough credit profile to get a fully digital offer.
- Launching our attractive mobile wallet offering in Estonia with the introduction in Lithuania scheduled for Q3-22.
- Growing the customer representative network in Mexico by 470 agencies as part of our agency growth plan.
- Opening our first office in the new region of Northwest Mexico with a potential target market of 1.4m consumers in our segment.
- Making excellent progress in the development of an exciting new loan card offering to meet the future needs of consumers in Poland, with testing due to commence in Q4-22.
- Developing our retail point of sale partnership tests in Romania and Mexico, which is a pivotal part of our growth strategy to attract the next generation of customers.

Financial model

Our business is well managed and operates with strong ethical and financial disciplines. As we navigate our future growth opportunities and business choices, we have formalised our financial model to underpin our strategy and balance the needs of our various stakeholders including customers, colleagues, regulators, shareholders and debt providers. We aim to deliver sustainable earnings whilst maintaining a strong balance sheet, adopting a progressive dividend policy and investing in the future growth of the business. Our financial model is as follows:

- Delivery of a sustainable ROE of 15%+...
- Supports a dividend pay-out ratio of 35%-40%...
- Allows receivables growth of up to 10% per annum...
- Whilst maintaining an equity to receivables ratio at around 40%.

Under this model, if receivables growth is greater than 10%, we need to utilise capital resources to fund the additional growth. If we grow at a lower rate than 10%, surplus capital will be created.

Our financial model will be supported by a stringent focus on the revenue yield, impairment rate and cost-income ratio being delivered by each of our businesses together with the Group funding rate and tax rate.

We will rigorously deploy our capital and will only make investments in receivables and other assets if they deliver our threshold returns.

Environment, social and governance (ESG)

We have a very strong social purpose and are committed not only to supporting our customers by providing affordable and transparent credit in a responsible way but also striving to have a positive effect on all our stakeholders as we invest in promoting financial inclusion, developing the capabilities of our team who serve millions of customers and implementing our climate change strategy. In the first half of the year we:

- Launched a new leadership development programme, Global Leaders Connect, to ensure we develop the next generation of leaders within the Group.
- Further developed our climate-related strategy, scenario analysis process and explored relevant targets and metrics to monitor future progress. Our climate-related commitments will be finalised in the second half of the year.
- Began the roll out of a new community relations programme 'Invisibles' in all our markets highlighting the plight of underprivileged, marginalised and excluded members of society. This follows a highly successful campaign in the Czech Republic in 2021.
- Secured the long-term lease on and renovated a large property in Warsaw which is now home to 10 displaced families from Ukraine.

Dividend

Based on the leadership's successful execution of our growth strategy and continued significant growth potential, the Board is pleased to declare a 23% increase in the interim dividend to 2.7 pence per share (H1-21: 2.2 pence). The interim dividend is in line with the Group's progressive dividend policy and is set at 33% of the prior year's full-year dividend payment. The interim dividend will be paid on 30 September 2022 to shareholders on the register at the close of business on 2 September 2022. The shares will be marked ex-dividend on 1 September 2022. As noted earlier, our financial model is calibrated to pay 35% to 40% of our full year earnings in the form of dividends.

Regulatory update

In Hungary, the temporary Covid-19 debt repayment moratorium which was due to expire on 30 June 2022 has been further extended. The automatic extension of the moratorium ends on 31 July 2022 after which customers need to apply for a further potential extension to the end of 2022. The moratorium is only applicable to loans granted before April 2020 and the financial impact of the new extension is not expected to be significant.

In July 2022, the government in Romania introduced a temporary six-month debt repayment moratorium to ease financial difficulties for borrowers facing the increasing cost of living. Consumers must apply to opt in to the temporary moratorium and meet eligibility criteria (including their account being up to date for a defined period), and consequently we expect the moratorium to have a minimal impact on performance.

There has been no progress with the legislative process in the Polish Parliament regarding the proposal to reduce the non-interest cost of credit cap in Poland, which awaits debate by the Lower Chamber of the Parliament. We continue to believe that there will be a range of views on the merits of the proposals and, as they are scrutinised in detail, they could be changed, abandoned or agreed. Poland is a very important market to the Group, and we are continuing to develop our business plan and product offering that meets the needs of our existing loyal customers and successfully attracts the next generation in Poland for years to come whilst continuing to meet our threshold return of a 15% ROE.

There have been no material updates on the EU review of the Consumer Credit Directive or a revised draft law imposing a total cost of credit cap in Romania, details of which were included in our 2021 full-year results statement. With regards to the revision of the Consumer Credit Directive, the EU Commission's proposal was discussed by the relevant committees of the European Parliament, as well as the Council, and we expect a final compromise proposal to be announced later in 2022.

Board changes

We are also pleased to announce the appointment of Katrina Cliffe to the Board as an independent non-executive director, with effect from 1 August 2022. Katrina has extensive experience of financial services and brings a breadth of executive expertise in retail financial services, credit cards, customer service and marketing. She has previously held senior roles at American Express, Lloyds TSB Group PLC, Goldfish Bank Ltd and MBNA International Bank. Katrina has been a non-executive director at London and Country Mortgages Limited, Shop Direct Finance Company Limited, Cembra Money Bank AG and Naked Wines plc, and is currently a non-executive director of Homeserve plc. Katrina will join our Board's Audit and Risk and Technology Committees. On 20 June 2022, we announced that Bronwyn Syiek would be stepping down from the Board on 20 July 2022.

Outlook

At IPF, we strive to deliver our best for our customers by providing underserved consumers access to simple, personal, and affordable loans and insurances to help and protect them and their families. There is significant long-term demand for affordable credit within our existing footprint and we see substantial and sustainable long-term growth opportunities for the Group which we will achieve by meeting the needs of more customers with an increased choice of products and distribution channels.

We are confident that our approach of expanding our product and channel choices to attract and retain quality customers will deliver higher levels of financial inclusion and good sustainable growth in customer lending for the year as a whole, similar to the levels achieved in H1-22. We will continue to support our customers as we navigate the ongoing pandemic and the more challenging macroeconomic landscape. We are closely monitoring how these factors may impact customer behaviours as household budgets come under pressure and we will continue to focus on lending responsibly, ensuring customer repayments remain robust and managing costs tightly. We have proven to be a resilient business and are well positioned to respond quickly if we see any material changes while continuing to support our customers through more difficult times.

Financial review

Changes to terminology and key performance indicators (KPIs)

We have changed some of our reporting terminology to better reflect the Group's broader distribution channels, including a greater level of digital transactions, and to better align with consumer finance lenders more generally. In conjunction with this, we have changed the calculation of a number of KPIs which were established when the Group was solely a home credit business. The new KPIs are also more consistent with current accounting standards (principally IFRS 9) and are more aligned to other consumer finance lenders. The changes we have made are summarised below:

Previous terminology

Credit issued

Collections

Previous KPI

Revenue yield, calculated as revenue divided by average net receivables after impairment provision

Impairment as a percentage of revenue, calculated as impairment divided by revenue

Cost-income ratio, calculated as costs, excluding agents commission and interest expense, divided by revenue

New terminology

Customer lending

Customer repayments

New KPI

Revenue yield, calculated as revenue divided by average gross receivables before impairment provision

Impairment rate, calculated as impairment as a percentage of average gross receivables before impairment provision

Cost-income ratio, calculated as total costs, including agents' commission, but excluding interest expense, divided by revenue

Both the previous KPIs and the new KPIs are calculated on a rolling 12-month basis. The impact of the changes in calculation on FY-19 (pre-Covid-19) and H1-22 is set out below:

	FY-19		H1-22	
	New	Previous	New	Previous
Revenue yield	59.2%	90.1%	49.8%	81.8%
Impairment to revenue/impairment rate	16.2%	27.4%	7.5%	15.0%
Cost-income ratio	52.7%	43.6%	65.0%	53.2%

Details of the new definitions and calculations of the new KPIs are included on pages 45 to 49 in the Alternative Performance Measures section in this half-year report.

Group

The Group delivered a very good first half performance as we continued to make good progress against our strategy. H1-22 profit before tax of £33.8m (H1-21: £43.3m), an increase of 45.1% on an underlying basis, reflects a strong recovery in lending post Covid-19 and an excellent operational performance.

	H1-22	H1-21		Change	
	£m	Reported £m	Underlying* £m	Reported %	Underlying* %
European home credit	29.6	34.9	20.4	(15.2)	45.1
Mexico home credit	7.4	9.4	4.7	(21.3)	57.4
IPF Digital	4.5	6.1	5.3	(26.2)	(15.1)
Central costs	(7.7)	(7.1)	(7.1)	(8.5)	(8.5)
Profit before taxation	33.8	43.3	23.3	(21.9)	45.1

* Prior to Covid-19 impairment provision releases of £20m in H1-21 which have not been repeated in H1-22.

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

	H1-22	H1-21	Change	Change	Change at
	£m	£m	£m	%	CER %
Customer numbers (000s)	1,718	1,679	39	2.3	
Customer lending	513.3	459.5	53.8	11.7	13.9
Closing net receivables	769.9	674.2	95.7	14.2	14.0
Revenue	297.4	262.9	34.5	13.1	14.5
Impairment	(43.3)	(11.7)	(31.6)	(270.1)	(243.7)
Revenue less impairment	254.1	251.2	2.9	1.2	2.8
Costs	(190.3)	(182.1)	(8.2)	(4.5)	(5.4)
Interest expense	(30.0)	(25.8)	(4.2)	(16.3)	(20.0)
Reported profit before taxation	33.8	43.3	(9.5)	(21.9)	
Reported profit before taxation	33.8	43.3	(9.5)	(21.9)	
Covid-19 provision releases	-	(20.0)	20.0	n/a	
Underlying profit before taxation	33.8	23.3	10.5	45.1	
Annualised revenue yield	49.8%	47.7%	2.1 ppts		
Annualised impairment rate	7.5%	6.5%	(1.0) ppts		
Annualised cost-income ratio	65.0%	65.8%	0.8 ppts		
Annualised pre-exceptional ROE	10.4%	6.4%	4.0 ppts		

We play an important role in delivering financial inclusion enabling people with limited borrowing options to access regulated credit in a responsible way. The successful execution of our growth strategy and the efforts of our teams in serving credit to both existing and new customers resulted in lending growth of 13.9% (at CER) and a 2.3% increase in customer numbers to 1.72m (H1-21: 1.68m), driven mainly by Mexico home credit and IPF Digital. This growth was achieved despite the challenging macroeconomic landscape in H1-22, particularly in Europe, where we saw softer demand driven by consumer nervousness over rising costs of living and the war in Ukraine in Q1-22 followed by improving demand over the course of Q2-22 and into the early part of Q3-22.

The closing net receivables portfolio increased by £95.7m (14% at CER) to £769.9m at H1-22. We have now reached around 80% of our pre-pandemic portfolio size, which leaves significant growth potential for the remainder of 2022 and beyond.

The strong growth in closing net receivables resulted in revenue growth of 14%. The Group's annualised revenue yield strengthened from 47.7% at H1-21 to 49.8% at H1-22 reflecting two factors. Firstly, the stronger growth in Mexico home credit which carries a higher yield. Secondly, the reduction in customer accounts in stage 3 (which do not attract as much interest under IFRS 9) due to improved repayment performance post Covid-19. These two impacts have been partially offset by an increase in rebates provided to customers in Poland when they settle their accounts early and the impact of the moratorium in Hungary. In the medium term, we expect the Group revenue yield to increase to within a range of 53% to 56%, based on our current product set and regulation, as Mexico home credit grows to represent a larger proportion of the Group's receivables book and yields stabilise post Covid-19.

Having close relationships with our customers to encourage repayment is a core strength of the business and, combined with the responsible lending decisions we take when serving them, the quality of our loan portfolio continues to be excellent in all divisions. Customer repayments remained robust driven by solid operational execution and this resulted in an annualised impairment rate of 7.5% (H1-21: 6.5%). This metric continues to be lower than normal levels and has benefitted from: (i) the Covid-19 impairment provisions released in 2021 (H1-21: £20m, FY-21: £32m); and (ii) the planned uplift in debt sale activity to more normal levels following lower activity during Covid-19 (c.£5m impact in H1-22). We expect our Group annualised impairment rate to rise to around 14% to 16% as we regrow the business and the Covid-19 period flows out of the calculations. Our balance sheet remains robust against the combined impact of cost-of-living increases and the after effects of Covid-19 with an impairment coverage ratio of 38% at H1-22 (FY-21: 38%, H1-21: 40%).

We continue to maintain a clear focus on costs as we grow the business. However, the annualised cost-income ratio only improved by 0.8 ppts year on year to 65.0% at H1-22. This primarily reflects the distortive impact of the very low-cost base in H2-20, at the height of the pandemic, when all discretionary expenditure was curtailed. Looking solely at the cost-income ratio for the first six months of the year, the cost-income ratio has reduced from 69% in H1-21 to 64% in H1-22 as revenue generation has increased at a greater rate than costs. We will continue to maintain a tight control of costs and we expect the cost-income ratio to reduce to within a range of 52% to 54% over the medium term as we achieve greater scale.

Our annualised pre-exceptional ROE stands at 10.4% at H1-22 (H1-21: 6.4%). This is lower than our threshold of 15% reflecting: (i) the reduction in receivables during Covid-19 (i.e. a reduction in scale); (ii) a higher blended cost of funding of 12.2%; and (iii) our higher-than-target equity to receivables ratio of 52.4%. We intend to reduce the equity to receivables ratio steadily towards our medium-term target of 40% as we regrow the business, refinance the bonds when market conditions permit, and build our ROE to 15% over the next two to three years and deliver our progressive dividend policy.

European home credit

European home credit reported a good financial performance with profit before tax of £29.6m (H1-21: £34.9m) up 45.1% on an underlying basis reflecting strong execution against the recovery plan. Reported profit before tax in H1-21 included £14.5m of impairment provision releases previously established during the onset of the Covid-19 pandemic.

	H1-22 £m	H1-21 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	786	808	(22)	(2.7)	
Customer lending	288.1	288.0	0.1	-	5.0
Closing net receivables	441.4	405.9	35.5	8.7	12.9
Revenue	148.8	140.1	8.7	6.2	11.2
Impairment	(1.1)	9.0	(10.1)	(112.2)	(112.6)
Revenue less impairment	147.7	149.1	(1.4)	(0.9)	3.6
Costs	(99.0)	(98.4)	(0.6)	(0.6)	(4.5)
Interest expense	(19.1)	(15.8)	(3.3)	(20.9)	(27.3)
Reported profit before taxation	29.6	34.9	(5.3)	(15.2)	
Reported profit before taxation	29.6	34.9	(5.3)	(15.2)	
Covid-19 provision releases	-	(14.5)	14.5	n/a	
Underlying profit before taxation	29.6	20.4	9.2	45.1	
Annualised revenue yield	40.7%	42.4%	(1.7) ppts		
Annualised impairment rate	1.1%	3.9%	2.8 ppts		
Annualised cost-income ratio	67.7%	65.4%	(2.3) ppts		

Against a challenging macroeconomic and trading environment, our European home credit business increased customer lending by 5.0% (at CER) year on year. We saw softer demand for credit in Q1-22, driven by a combination of Covid-19 lockdown measures and uncertainty around the outbreak of war in Ukraine which resulted in a 2% contraction in customer lending. However, over the course of Q2-22, we saw a steady improvement in demand in each of our markets, particularly from existing customers, leading to customer lending growth of 11% year on year, despite continued tight credit standards and the increase in the costs of living.

Customer numbers of 786,000 showed a modest reduction of 2.7% on H1-21, reflecting the weaker demand during Q1-22 as described above. Customer numbers remained broadly flat during Q2-22 as demand improved.

Closing net receivables grew by 12.9% (at CER) to £441.4m in H1-22, reflecting the strong growth in customer lending. This, in turn, supported revenue growth of 11.2% (at CER). The annualised revenue yield has reduced from 42.4% to 40.7%. This reflects two factors: (i) the impact from the change in calculation of rebates provided to customers on early settlement in Poland - this change was implemented in 2021 and, together with changed customer behavior, resulted in a £10m year-on-year reduction in revenues; and (ii) the impact of the moratorium in Hungary which has resulted in significantly extending the duration of customer loans beyond their normal expected life (revenue is capped at the level of actual service charge and fees and is recognised over the expected life of a loan).

Customer repayment performance during H1-22 remained robust which, together with tight credit standards implemented during the pandemic, delivered an impairment rate of 1.1% at H1-22, compared with 3.9% at H1-21. This metric continues to benefit from: (i) the Covid-19 provisions released in 2021 (H1-21: £14.4m, FY-21: £20.5m); and (ii) the planned uplift in debt sales to more normal levels following lower activity during Covid-19 (c.£5m impact in H1-22). We will continue to maintain tight credit standards in light of the ongoing uncertainty regarding the cost-of-living crisis and any further potential Covid-19 measures that may be implemented by different governments.

The annualised cost-income ratio increased from 65.4% in H1-21 to 67.7% in H1-22. However, the prior year ratio benefited from the removal of all discretionary expenditure in the second half of 2020 during the peak of Covid-19. On a six-month basis, the cost-income ratio has improved from 70% in H1-21 to 67% in H1-22, reflecting the growth in lending and continued tight cost control across each of our territories.

As planned, the strong execution of our strategy is supporting the regrowth in scale of our European home credit business whilst maintaining tight cost control. After a weak Q1 where lending declined year on year, we saw a big improvement in demand during Q2 and delivered lending growth in H1-22 of 5% (at CER). We will continue to enhance the customer experience through improved technology, expand our digital and hybrid credit options for quality customers and test the loan card proposition in Poland. We expect to deliver a similar lending growth for the year as a whole against a tougher second half comparative period as the business began to recover from the pandemic. We will, however, continue to closely monitor the impact of the macroeconomic uncertainty on customers' disposable incomes and the demand for credit, and will continue to maintain tight credit standards.

Mexico home credit

Mexico home credit's excellent operational performance delivered strong growth and a very good financial performance with profit before tax of £7.4m (H1-21: £9.4m), up 57.4% on an underlying basis. Reported profit before tax in H1-21 included £4.7m of Covid-19 impairment provision releases.

	H1-22 £m	H1-21 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	676	624	52	8.3	
Customer lending	116.4	87.5	28.9	33.0	24.0
Closing net receivables	140.8	99.8	41.0	41.1	23.2
Revenue	93.1	64.9	28.2	43.5	34.0
Impairment	(31.0)	(8.5)	(22.5)	(264.7)	(233.3)
Revenue less impairment	62.1	56.4	5.7	10.1	3.2
Costs	(50.4)	(43.9)	(6.5)	(14.8)	(7.9)
Interest expense	(4.3)	(3.1)	(1.2)	(38.7)	(30.3)
Reported profit before taxation	7.4	9.4	(2.0)	(21.3)	
Reported profit before taxation	7.4	9.4	(2.0)	(21.3)	
Covid-19 provision releases	-	(4.7)	4.7	n/a	
Underlying profit before taxation	7.4	4.7	2.7	57.4	
Annualised revenue yield	86.5%	76.7%	9.8 ppts		
Annualised impairment rate	27.9%	9.7%	(18.2) ppts		
Annualised cost-income ratio	53.8%	66.2%	12.4 ppts		

Leading the Group's growth story, there remains strong demand for credit in Mexico. We opened 470 new agencies in H1-22 as part of our agency growth plan and recently launched a new region in the Northwest of Mexico. Our strong operational delivery supported a 24% increase (at CER) in customer lending year on year and growth in customers of 52,000 or 8.3% to end H1-22 at 676,000.

Closing net receivables increased by 23.2% (at CER) to £140.8m which drove a significant increase in revenue of 34.0% year on year (at CER). The annualised revenue yield improved from 76.7% at H1-21 to 86.5% at H1-22, reflecting the reduction in customers in stage 3 which attract less interest under IFRS 9. During the peak of Covid-19, approximately 50% of customers were in stage 3 compared with just under 30% at H1-22.

At the same time as delivering significant growth, we continued to focus on customer repayments which remain robust. The annualised impairment rate increased by 18.2 ppts to 27.9% year on year reflecting the impact of IFRS 9 on a strongly growing receivables book as well as Covid-19 provisions released in 2021 beginning to flow out of the calculation (H1-21: £4.7m, FY-21: £7.7m).

In line with our growth strategy, we invested £3.7m (at CER) in expanding our customer representative network and geographic footprint into the Northwest of Mexico which resulted in H1-22 costs increasing by 7.9% (at CER). However, the cost-income ratio improved by 12.4 ppts to 53.8% year on year demonstrating the benefit of operational leverage and good cost control.

Our Mexico home credit business offers very exciting and significant long-term prospects. By successfully delivering on our strategy, we continued to build on the growth momentum achieved in 2021 delivering 24% (at CER) lending growth in H1-22. We will enhance territory management to maximise customer reach within the current geographic footprint and selectively digitise the customer journey. We expect to deliver a slightly lower level of lending growth for the year as a whole, reflecting the tougher second half comparative as the business began to recover from the pandemic.

IPF Digital

IPF Digital delivered very positive growth momentum in all our ongoing markets. Reported profit before tax of £4.5m was £1.6m lower than H1-21, primarily due to investment in growth, a reduced profit contribution from Finland of £1.8m where we are collecting out the portfolio, and the benefit of a £0.8m impairment provision release in respect of Covid-19 in H1-21 which was not repeated this year. The detailed income statement and associated KPI's of IPF Digital are set out below:

	H1-22 £m	H1-21 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	256	247	9	3.6	
Customer lending	108.8	84.0	24.8	29.5	32.0
Closing net receivables	187.7	168.5	19.2	11.4	10.3
Revenue	55.5	57.9	(2.4)	(4.1)	(1.8)
Impairment	(11.2)	(12.2)	1.0	8.2	6.7
Revenue less impairment	44.3	45.7	(1.4)	(3.1)	(0.4)
Costs	(33.3)	(32.7)	(0.6)	(1.8)	(4.1)
Interest expense	(6.5)	(6.9)	0.4	5.8	3.0
Reported profit before taxation	4.5	6.1	(1.6)	(26.2)	
Reported profit before taxation	4.5	6.1	(1.6)	(26.2)	
Covid-19 provision releases	-	(0.8)	0.8	n/a	
Underlying profit before taxation	4.5	5.3	(0.8)	(15.1)	
Annualised revenue yield	46.7%	43.6%	3.1 ppts		
Annualised impairment rate	9.3%	11.4%	2.1 ppts		
Annualised cost-income ratio	62.8%	56.2%	(6.6) ppts		

Our strategy in IPF Digital is to rebuild receivables to gain scale and deliver our target returns following the closure of our businesses in Finland in 2020 and Spain in 2021. We no longer assess IPF Digital's performance between established and new markets, as we now focus on the performance of the business as a whole.

Demand for credit in all of our markets was strong with customer lending increasing by 32.0% (at CER) and customer numbers increasing by 3.6% to 256,000. Excluding the impact of the portfolio collect outs in Finland and Spain, customer numbers increased by 14%, with Mexico and Poland delivering the strongest growth.

Building on the momentum delivered in H2-21, closing net receivables increased by £19.2m or 10.3% (at CER), despite an £18m reduction in receivables in Finland and Spain. Excluding the collect-out portfolios, strong net receivables growth of 24% (at CER) was delivered despite continued tight credit standards.

The annualised revenue yield increased from 43.6% at H1-21 to 46.7% at H1-22. The increase reflects the growth in our higher yielding receivables in Mexico and Poland, partly offset by the impact of more stringent rate caps in both Latvia and Estonia.

The annualised impairment rate reduced from 11.4% at H1-21 to 9.3% in H1-22. This reflects a better-than-expected performance from the receivables portfolios in collect-out together with the benefit of strong customer repayment performance and tight credit standards in all our markets.

Building scale is a key strand of our digital strategy and we continued to invest in marketing, particularly in the competitive Baltic markets, and developing new products to grow the business. This investment resulted in costs increasing by 4.1% (at CER) year on year and the cost-income ratio grew from 56.2% at H1-21 to 62.8% at H2-22. The cost-income ratio will begin to stabilise as our markets continue to recover following the pandemic and regain scale.

IPF Digital offers significant and sustainable growth opportunities, building on the strong lending growth momentum of 32% (at CER) delivered in H1-22. We will continue to extend the reach of our mobile wallet in Latvia and Estonia, and launch to customers in Lithuania in H2-22. We are also continuing to expand the new hybrid lending opportunities that our digital and home credit businesses in Mexico are partnering on. We expect lending growth for the year as a whole to be slightly below H1-22 levels, reflecting the tougher second half comparative as the business began to recover from the pandemic.

Taxation

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

The first half results reflect a net exceptional tax credit of £10.5m comprising three items:

1. Following a favourable Supreme Administrative Court decision, the Group's Polish subsidiary successfully obtained a Ministry of Finance ruling confirming the tax deductibility of certain expenses linked to intra-group transactions in respect of years 2018 onwards. These expenses had originally been disallowed following the introduction of new legislation with more restrictive rules during 2017. The returns for years 2018 to 2021 have now been re-filed with the tax office along with claims for repayment of £27.5m. A further benefit estimated at £3.4m is expected to arise during 2022 and subsequent periods. In view of the strong legal basis for the repayment claims and as required by applicable accounting standards, an exceptional tax credit of £30.9m has been recognised with the corresponding amount reflected as an asset on the balance sheet.
2. An exceptional tax charge of £15.3m has arisen following the derecognition of the non-current asset previously held in respect of the Group's finance company arrangements. This stems from the decision by the General Court of the European Union in June 2022 confirming the European Commission's earlier Decision that the United Kingdom's Group Financing Exemption constitutes partial illegal state aid.
3. An exceptional tax charge of £5.1m has been reflected relating to the Hungarian government's announcement in June 2022 which introduced a series of temporary taxes aimed at raising revenue to support the armed forces in view of the ongoing war in Ukraine and protect households against rising energy costs. The new tax package, which was passed by Government Decree, included a new "extra profit special tax" chargeable on the financial sector including non-bank financial institutions, and which is payable in respect of 2022 and 2023 only. This new tax will increase the taxes payable by the Group's Hungarian subsidiary by £5.1m for 2022, with an estimated further £5m payable in respect of 2023.

Funding and balance sheet

We continue to maintain a very conservatively capitalised balance sheet, a strong funding position and robust financial risk management. At H1-22, the equity to receivables ratio was 52.4% (H1-21: 53.8%) and this compares with our target of 40%. We will progressively reduce the equity to receivables ratio over the next two to three years as we invest in growth, deliver our progressive dividend policy and build ROE to our target level of 15%. The gearing ratio was 1.3 times (H1-21: 1.3 times), comfortably ahead of our covenant limit of 3.75 times.

At the end of H1-22, the Group had total debt facilities of £571m, comprising £408m of bonds and £163m of bank facilities. We have borrowings of £508m and, together with undrawn facilities and non-operational cash balances, headroom is £68m. The Group's current funding capacity together with strong business cash generation, is expected to meet the Group's funding requirements, including strong receivables growth, into Q4-23.

Despite the difficult macroeconomic backdrop, we have recently successfully extended £46m of bank facilities and extended the maturity profile of the Groups' sources of funding to 2.5 years.

Our blended cost of funding in H1-22 was 12.2%, up from 10.6% in H1-21. This reflects increased interest rates across our markets which has resulted in higher costs of bank funding and hedging.

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

Financial statements

Consolidated income statement

	Notes	Unaudited Six months ended 30 June 2022 £m	Unaudited Six months ended 30 June 2021 £m	Audited Year ended 31 December 2021 £m
Revenue	3	297.4	262.9	548.7
Impairment	3	(43.3)	(11.7)	(56.2)
Revenue less impairment		254.1	251.2	492.5
Interest expense	4	(30.0)	(25.8)	(54.0)
Other operating costs		(57.9)	(52.9)	(111.4)
Administrative expenses		(132.4)	(129.2)	(259.4)
		(220.3)	(207.9)	(424.8)
Profit before taxation	3	33.8	43.3	67.7
Pre-exceptional tax (expense)/income				
- UK		-	-	6.6
- Overseas		(13.5)	(20.4)	(32.4)
Pre-exceptional tax expense	5	(13.5)	(20.4)	(25.8)
Exceptional tax income	8	10.5	-	-
Total tax expense		(3.0)	(20.4)	(25.8)
Profit after taxation attributable to equity shareholders		30.8	22.9	41.9

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

Earnings per share - statutory

	Notes	Unaudited Six months ended 30 June 2022 pence	Unaudited Six months ended 30 June 2021 pence	Audited Year ended 31 December 2021 pence
Basic	6	13.9	10.3	18.8
Diluted	6	13.2	9.7	17.8

Earnings per share – pre-exceptional items

	Notes	Unaudited Six months ended 30 June 2022 pence	Unaudited Six months ended 30 June 2021 pence	Audited Year ended 31 December 2021 pence
Basic	6	9.1	10.3	18.8
Diluted	6	8.7	9.7	17.8

Dividend per share

	Notes	Unaudited Six months ended 30 June 2022 pence	Unaudited Six months ended 30 June 2021 pence	Audited Year ended 31 December 2021 pence
Interim dividend	7	2.7	2.2	2.2
Final dividend	7	-	-	5.8
Total dividend		2.7	2.2	8.0

Dividends paid

	Notes	Unaudited Six months ended 30 June 2022 £m	Unaudited Six months ended 30 June 2021 £m	Audited Year ended 31 December 2021 £m
Interim dividend of 2.7 pence (2021: interim dividend of 2.2 pence) per share	7	-	-	4.9
Final 2021 dividend of 5.8 pence (2021: final 2020 dividend of nil) per share	7	12.9	-	-
Total dividends paid		12.9	-	4.9

Consolidated statement of comprehensive income

	Unaudited Six months ended 30 June 2022 £m	Unaudited Six months ended 30 June 2021 £m	Audited Year ended 31 December 2021 £m
Profit after taxation attributable to equity shareholders	30.8	22.9	41.9
Other comprehensive income			
<i>Items that may subsequently be reclassified to income statement</i>			
Exchange gains/(losses) on foreign currency translations	18.9	(27.5)	(37.6)
Net fair value (losses)/gains – cash flow hedges	(2.8)	(1.9)	1.4
Tax credit/(charge) on items that may be reclassified	-	0.4	(0.7)
<i>Items that will not subsequently be reclassified to income statement</i>			
Actuarial gains on retirement benefit asset	0.9	1.3	0.5
Tax (charge)/credit on items that will not be reclassified	(0.2)	(0.3)	0.1
Other comprehensive income/(expense) net of taxation	16.8	(28.0)	(36.3)
Total comprehensive income /(expense) for the period attributable to equity shareholders	47.6	(5.1)	5.6

Consolidated balance sheet

		Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
	Notes			
Assets				
Non-current assets				
Goodwill	9	23.4	23.4	22.9
Intangible assets	10	24.9	26.2	25.2
Property, plant and equipment	11	16.9	13.2	13.8
Right-of-use assets	12	18.5	16.6	17.7
Amounts receivable from customers	14	179.2	162.0	150.2
Deferred tax assets	13	136.1	125.5	124.7
Non-current tax asset	15	-	14.2	15.3
Retirement benefit asset	17	6.7	5.6	4.9
		405.7	386.7	374.7
Current assets				
Amounts receivable from customers	14	590.7	512.2	566.6
Derivative financial instruments		3.0	1.3	0.7
Cash and cash equivalents		43.7	100.4	41.7
Other receivables		15.6	15.9	14.0
Current tax assets	15	29.0	1.6	1.6
		682.0	631.4	624.6
Total assets	3	1,087.7	1,018.1	999.3
Liabilities				
Current liabilities				
Borrowings	16	(28.6)	(43.3)	(3.1)
Derivative financial instruments		(5.9)	(3.7)	(7.6)
Trade and other payables		(123.0)	(113.4)	(112.8)
Provisions for liabilities and charges	18	(2.6)	(24.2)	(5.4)
Lease liabilities	12	(6.9)	(7.3)	(6.4)
Current tax liabilities		(17.2)	(14.3)	(8.2)
		(184.2)	(206.2)	(143.5)
Non-current liabilities				
Deferred tax liabilities		(7.9)	(9.4)	(7.9)
Lease liabilities	12	(12.8)	(11.0)	(12.3)
Borrowings	16	(479.0)	(428.5)	(468.5)
		(499.7)	(448.9)	(488.7)
Total liabilities	3	(683.9)	(655.1)	(632.2)
Net assets		403.8	363.0	367.1
Equity attributable to owners of the Parent				
Called-up share capital		23.4	23.4	23.4
Other reserve		(22.5)	(22.5)	(22.5)
Foreign exchange reserve		(13.7)	(22.5)	(32.6)
Hedging reserve		(1.2)	(0.6)	1.6
Own shares		(44.5)	(44.4)	(46.6)
Capital redemption reserve		2.3	2.3	2.3
Retained earnings		460.0	427.3	441.5
Total equity		403.8	363.0	367.1

Consolidated statement of changes in equity

	Unaudited				
	Called-up share capital	Other reserve	*Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m	£m
At 1 January 2021	23.4	(22.5)	(37.0)	406.6	370.5
<i>Comprehensive income</i>					
Profit after taxation for the period	-	-	-	22.9	22.9
<i>Other comprehensive (expense)/income</i>					
Exchange losses on foreign currency translation (note 21)	-	-	(27.5)	-	(27.5)
Net fair value losses – cash flow hedges	-	-	(1.9)	-	(1.9)
Actuarial gain on retirement benefit asset	-	-	-	1.3	1.3
Tax credit/(charge) on other comprehensive income	-	-	0.4	(0.3)	0.1
Total other comprehensive (expense)/income	-	-	(29.0)	1.0	(28.0)
Total comprehensive (expense)/income for the period	-	-	(29.0)	23.9	(5.1)
<i>Transactions with owners</i>					
Share-based payment adjustment to reserves	-	-	-	(1.1)	(1.1)
Purchase of own shares	-	-	(1.3)	-	(1.3)
Shares granted from treasury and employee trust	-	-	2.1	(2.1)	-
At 30 June 2021	23.4	(22.5)	(65.2)	427.3	363.0
	Audited				
At 1 January 2021	23.4	(22.5)	(37.0)	406.6	370.5
<i>Comprehensive income</i>					
Profit after taxation for the period	-	-	-	41.9	41.9
<i>Other comprehensive (expense)/income</i>					
Exchange losses on foreign currency translation (note 21)	-	-	(37.6)	-	(37.6)
Net fair value gains – cash flow hedges	-	-	1.4	-	1.4
Actuarial gain on retirement benefit asset	-	-	-	0.5	0.5
Tax (charge)/credit on other comprehensive income	-	-	(0.7)	0.1	(0.6)
Total other comprehensive (expense)/income	-	-	(36.9)	0.6	(36.3)
Total comprehensive (expense)/income for the period	-	-	(36.9)	42.5	5.6
<i>Transactions with owners</i>					
Share-based payment adjustment to reserves	-	-	-	(0.2)	(0.2)
Shares acquired by employee trust	-	-	(3.9)	-	(3.9)
Shares granted from treasury and employee trust	-	-	2.5	(2.5)	-
Dividends paid to Equity Shareholders	-	-	-	(4.9)	(4.9)
At 31 December 2021	23.4	(22.5)	(75.3)	441.5	367.1

Consolidated statement of changes in equity (continued)

	Unaudited				Total equity £m
	Called-up share capital £m	Other reserve £m	*Other reserves £m	Retained earnings £m	
At 1 January 2022	23.4	(22.5)	(75.3)	441.5	367.1
<i>Comprehensive income</i>					
Profit after taxation for the period	-	-	-	30.8	30.8
<i>Other comprehensive income/(expense)</i>					
Exchange gains on foreign currency translation (note 21)	-	-	18.9	-	18.9
Net fair value losses – cash flow hedges	-	-	(2.8)	-	(2.8)
Actuarial gain on retirement benefit asset	-	-	-	0.9	0.9
Tax charge on other comprehensive income	-	-	-	(0.2)	(0.2)
Total other comprehensive income	-	-	16.1	0.7	16.8
Total comprehensive income for the period	-	-	16.1	31.5	47.6
<i>Transactions with owners</i>					
Share-based payment adjustment to reserves	-	-	-	2.4	2.4
Purchase of own shares	-	-	(0.4)	-	(0.4)
Shares granted from treasury and employee trust	-	-	2.5	(2.5)	-
Dividends paid to Equity Shareholders	-	-	-	(12.9)	(12.9)
At 30 June 2022	23.4	(22.5)	(57.1)	460.0	403.8

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

Consolidated cash flow statement

	Notes	Unaudited Six months ended 30 June 2022 £m	Unaudited Six months ended 30 June 2021 £m	Audited Year Ended 31 December 2021 £m
Cash flows from operating activities				
Cash generated from operating activities	20	23.0	58.7	74.3
Finance costs paid		(15.3)	(11.3)	(52.7)
Income tax paid		(9.0)	(33.7)	(46.4)
Net cash (used in)/generated from operating activities		(1.3)	13.7	(24.8)
Cash flows used in investing activities				
Purchases of intangible assets	10	(5.4)	(3.4)	(10.3)
Purchases of property, plant and equipment	11	(6.0)	(1.3)	(5.1)
Proceeds from sale of property, plant and equipment		0.2	0.1	0.2
Net cash used in investing activities		(11.2)	(4.6)	(15.2)
Net cash (used in)/generated from operating and investing activities		(12.5)	9.1	(40.0)
Cash flows from financing activities				
Proceeds from borrowings		31.4	5.9	49.4
Repayment of borrowings		(0.3)	(22.7)	(62.9)
Principal elements of lease payments	12	(4.5)	(4.9)	(9.9)
Shares acquired by employee trust		(0.4)	(1.3)	(3.9)
Dividends paid to equity shareholders		(12.9)	-	(4.9)
Net cash generated from/(used in) financing activities		13.3	(23.0)	(32.2)
Net increase/(decrease) in cash and cash equivalents		0.8	(13.9)	(72.2)
Cash and cash equivalents at beginning of period		41.7	116.3	116.3
Exchange gains/(losses) on cash and cash equivalents		1.2	(2.0)	(2.4)
Cash and cash equivalents at end of period		43.7	100.4	41.7

Notes to the financial statements

1. Basis of preparation

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with the Disclosure and Transparency Rules ('DTR') of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the United Kingdom. These condensed consolidated interim financial statements should be read in conjunction with the Annual Report and Financial Statements ('the Financial Statements') for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. These condensed consolidated interim financial statements were approved for release on 27 July 2022.

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Financial Statements for the year ended 31 December 2021 were approved by the Board on 23 February 2022 and delivered to the Registrar of Companies. The Financial Statements contained an unqualified audit report and did not include an emphasis of matter paragraph or any statement under Section 498 of the Companies Act 2006. The Financial Statements are available on the Group's website (www.ipfin.co.uk).

The accounting policies applied to prepare these condensed consolidated interim financial statements are consistent with those applied to the most recent full year Financial Statements for the year ended 31 December 2021.

We operate a formal risk management process, the details of which are set out on page 52 of the Financial Statements for the year ended 31 December 2021. Details of our principal risks can be found on pages 54 to 58 of the Financial Statements.

The risks assessed in preparing these condensed consolidated interim financial statements are consistent with those assessed in the most recent full year Financial Statements for the year ended 31 December 2021.

Board members

As at 30 June 2022, the Group's Board members were as follows:

Stuart Sinclair	Chairman
Gerard Ryan	Executive Director and Chief Executive Officer
Gary Thompson	Executive Director and Chief Financial Officer
Deborah Davis	Independent non-executive director
John Mangelaars	Independent non-executive director
Richard Holmes	Senior independent non-executive director
Bronwyn Syiek ¹	Independent non-executive director

¹ Bronwyn Syiek resigned from the Board on 20 July 2022.

Going concern

In considering whether the Group is a going concern, the Board has taken into account the Group's financial forecasts and its principal risks (with particular reference to regulatory risks). The forecasts have been prepared for the two years to 31 December 2023 and include projected profit and loss, balance sheet, cashflows, borrowings, headroom against debt facilities and funding requirements. These forecasts represent the best estimate of the businesses performance, and in particular the evolution of customer lending and repayment cash flows.

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

At 30 June 2022, the Group had £68m of non-operational cash and headroom against its debt facilities (comprising a range of bonds and bank facilities), which have a weighted average maturity of 2.5 years. Total debt facilities as at 30 June 2022 amounted to £571m of which £69m (including £28m which is uncommitted) is due for renewal over the following 12 months. A combination of these debt facilities, the embedded business flexibility in respect of cash generation and a successful track record of accessing funding from debt capital markets over a long period (including periods with challenging macroeconomic conditions and a changing regulatory environment), are expected to meet the Group's funding requirements for the foreseeable future (12 months from the date of approval of this report). Taking these factors into account, together with regulatory risks set out on pages 52-59 of the 2021 Annual Report and Financial Statements, the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, the Board has adopted the going concern basis in preparing the half-year 2022 financial report.

Exceptional items

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Key sources of estimation uncertainty

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

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

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

Revenue recognition

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

Amounts receivable from customers

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

Impairment models are monitored regularly to test their continued capability to predict the timing and quantum of customer repayments in the context of the recent customer payment performance. The models used typically have a strong predictive capability reflecting the relatively stable nature of the business and therefore the actual performance does not usually vary significantly from the estimated performance. The models are ordinarily updated at least twice per year. Where we expect the models to show an increase in the expected loss or a slowing of the future cashflows in the following 12 months, we apply an adjustment to the models. At 30 June 2022, this adjustment was a reduction in receivables of £13.0m (30 June 2021: reduction of £9.8m, 31 December 2021: reduction of £13.6m). Where expected loss parameters have shown significant improvements through the pandemic, this is due to the tighter credit settings that were put in place as part of the Group's pandemic response. This data is not considered to be representative of the expected future performance and therefore we have excluded it from our periodic update.

Post model adjustment (PMA) on amounts receivable from customers

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Home credit	23.3	21.6	20.9
IPF Digital	2.7	4.4	1.5
Total	26.0	26.0	22.4

We have applied PMAs of £26.0m at 30 June 2022. This is an increase since 31 December 2021 and reflects the cost of living increases across all of the countries that we operate in as a result of the war in Ukraine. The higher inflation rates are mostly driven by an increase in the price of fuel and food and this is likely to have a significant adverse impact on our customers' disposable income and therefore their ability to make repayments. Further to this, there remains a significant risk on the cashflows from the Hungarian portfolio as a result of the debt repayment moratorium in that market and this has continued to be reflected in the PMAs. The portfolios in the other home credit markets that were subject to Government imposed restrictions on the freedom of movement in 2020 have reduced in size since 31 December 2021 and the PMAs associated with the resultant risks have been reduced to reflect this. These PMAs represent management's current assessment of the risks on the Group's net receivables.

Polish early settlement rebates

As previously reported, a comprehensive review has been conducted by UOKiK, the Polish competition and consumer protection authority, of rebating practices by banks and other consumer credit providers on early loan settlement, including those of the Group's Polish businesses. We assessed the impact of the resolution of this matter resulting in higher early settlement rebates being payable to customers that settled their agreements early before the balance sheet date. A number of risks and uncertainties remain, in particular with respect to future claims volumes relating to historic rebates paid and the nature of any customer contact exercise required. The total amount provided of £1.6m (30 June 2021: £21.7m; 31 December 2021: £3.3m) represents the Group's best estimate of the likely future cost of increasing historic customer rebates, based on its current strategy to achieve resolution. Whilst the volume of claims could differ from the estimates, the Group's expectation at this stage is that claims rates are unlikely to be more than 25% higher than the assumed rate.

Claims management charges in Spain

The Group holds provisions in respect of claims management charges in Spain following an increase in incidence of these claims in 2020. We reviewed the charges by reference to the claims incidence experience and average cost of resolution in the Spanish business. The provision recorded of £5.6m, split £4.6m against receivables and £1.0m in provisions, (30 June 2021: £7.6m split £5.1m against receivables and £2.5m in provisions; 31 December 2021: £7.1m, split £5.0m against receivables and £2.1m in provisions) represents the Group's best estimate of future claims volumes and the cost of their management, based on current claims management methodology, together with current and future product plans. Whilst the future claims incidence and cost of management could differ from estimates, the Group's expectation at this stage is that overall costs are unlikely to be more than 25% higher than those assumed in the charges.

Tax

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

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

There are no new standards adopted by the Group in 2022, and there are no new standards not yet effective and not adopted by the Group from 1 January 2022 which are expected to have a material impact on the Group.

Alternative performance measures

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

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

Each of the APMs used by the Group is set out on pages 45 to 49 including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant.

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

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

2. Related parties

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

3. Segment analysis

	Unaudited Six months ended 30 June 2022 £m	Unaudited Six months ended 30 June 2021 £m	Audited Year ended 31 December 2021 £m
Revenue			
European home credit	148.8	140.1	284.7
Mexico home credit	93.1	64.9	146.0
IPF Digital	55.5	57.9	118.0
Revenue	297.4	262.9	548.7
Impairment			
European home credit	1.1	(9.0)	(1.6)
Mexico home credit	31.0	8.5	33.8
IPF Digital	11.2	12.2	24.0
Impairment	43.3	11.7	56.2
Profit before taxation			
European home credit	29.6	34.9	54.5
Mexico home credit	7.4	9.4	18.4
IPF Digital	4.5	6.1	8.7
UK costs ¹	(7.7)	(7.1)	(13.9)
Profit before taxation	33.8	43.3	67.7

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

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Segment assets			
European home credit	560.6	504.9	511.5
Mexico home credit	227.1	178.3	192.8
IPF Digital	230.8	207.7	211.6
UK ²	69.2	127.2	83.4
Total	1,087.7	1,018.1	999.3
Segment liabilities			
European home credit	306.3	312.2	305.5
Mexico home credit	108.4	82.9	86.9
IPF Digital	102.4	91.0	91.3
UK ²	166.8	169.0	148.5
Total	683.9	655.1	632.2

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

4. Interest expense

	Unaudited Six months ended 30 June 2022 £m	Unaudited Six months ended 30 June 2021 £m	Audited Year ended 31 December 2021 £m
Interest payable on borrowings	29.3	25.1	52.6
Interest payable on lease liabilities	0.7	0.7	1.4
Interest expense	30.0	25.8	54.0

5. Tax expense

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

The exceptional tax income of £10.5m is detailed in note 8.

The Group is subject to tax audit in Mexico (regarding 2017).

6. Earnings per share

	Unaudited Six months ended 30 June 2022 pence	Unaudited Six months ended 30 June 2021 pence	Audited Year ended 31 December 2021 pence
Basic EPS	13.9	10.3	18.8
Dilutive effect of awards	(0.7)	(0.6)	(1.0)
Diluted EPS	13.2	9.7	17.8

Basic earnings per share ('EPS') for the six months ended 30 June 2022 is calculated by dividing the profit attributable to shareholders of £30.8m (six months ended 30 June 2021: profit of £22.9m, 31 December 2021: profit of £41.9m) by the weighted average number of shares in issue during the period of 222.0m which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (six months ended 30 June 2021: 223.0m, 31 December 2021: 223.2m).

For diluted EPS for the six months ended 30 June 2022, the weighted average number of shares has been adjusted to 233.6m (six months ended 30 June 2021: 236.1m, 31 December 2021: 235.3m) to assume conversion of all dilutive potential ordinary share options relating to employees of the Group.

7. Dividends

The Board has considered the trading performance in the first half of the year, the outlook for the full year and the strength of the balance sheet, and is pleased to declare an interim dividend of 2.7 pence per share. The dividend will be paid on 30 September 2022 to shareholders on the register at the close of business on 2 September 2022. The shares will be marked ex-dividend on 1 September 2022.

8. Exceptional tax items

The June 2022 income statement includes an exceptional tax gain of £10.5 million which comprises the following items:

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

Further information relating to the exceptional tax items is shown on page 17.

9. Goodwill

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Net book value at start of period	22.9	24.4	24.4
Exchange adjustments	0.5	(1.0)	(1.5)
Net book value at end of period	23.4	23.4	22.9

Goodwill is tested annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount is determined from a value in use calculation. The key assumptions used in the value in use calculation relate to the discount rates and cash flows assumed. We adopt discount rates which reflect the time value of money and the risks specific to the legacy MCB business. The cash flow forecasts are based on the most recent financial forecasts which includes our best estimates of the impact of Covid-19 and include the decision to collect out the Finnish business. The rate used to discount the forecast cash flows is 13% (30 June and 31 December 2021: 10%). The discount rate would need to increase to 20% before indicating that part of the goodwill may be impaired.

10. Intangible assets

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Net book value at start of period	25.2	30.2	30.2
Additions	5.4	3.4	10.3
Amortisation	(5.9)	(6.9)	(14.7)
Exchange adjustments	0.2	(0.5)	(0.6)
Net book value at end of period	24.9	26.2	25.2

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

11. Property, plant and equipment

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Net book value at start of period	13.8	15.4	15.4
Exchange adjustments	0.3	(0.4)	(0.5)
Additions	6.0	1.3	5.1
Disposals	(0.2)	(0.3)	(0.6)
Depreciation	(3.0)	(2.8)	(5.6)
Net book value at end of period	16.9	13.2	13.8

As at 30 June 2022, the Group had £4.4m of capital expenditure commitments with third parties that were not provided for (30 June 2021: £2.0m; 31 December 2021: £8.6m).

12. Right-of-use assets and lease liabilities

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

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Properties	12.6	10.2	11.9
Motor vehicles	5.8	6.3	5.7
Equipment	0.1	0.1	0.1
Total right-of-use assets	18.5	16.6	17.7

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

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Net book value at start of period	17.7	17.5	17.5
Exchange adjustments	0.8	(0.7)	(0.7)
Additions	4.0	4.0	8.3
Modifications	-	-	1.0
Depreciation	(4.0)	(4.2)	(8.4)
Impairment	-	-	-
Net book value at end of period	18.5	16.6	17.7

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

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Lease liabilities at start of period	18.7	19.2	19.2
Exchange adjustments	0.8	(0.7)	(0.8)
Additions	4.0	4.0	8.8
Interest	0.7	0.7	1.4
Lease payments	(4.5)	(4.9)	(9.9)
Lease liabilities at end of period	19.7	18.3	18.7

Analysed as:

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Current	6.9	7.3	6.4
Non-Current:			
- between one and five years	10.9	10.8	10.6
- greater than five years	1.9	0.2	1.7
	12.8	11.0	12.3
Lease liabilities at end of period	19.7	18.3	18.7

13. Deferred tax assets

Deferred tax assets have been recognised in respect of tax losses and other temporary timing differences (principally relating to recognition of revenue and impairment) to the extent that it is probable that these assets will be utilised against future taxable profits.

14. Amounts receivable from customers

Amounts receivable from customers comprise:

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Amounts due within one year	590.7	512.2	566.6
Amounts due in more than one year	179.2	162.0	150.2
Total receivables	769.9	674.2	716.8

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

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Polish zloty	259.8	226.9	247.6
Czech crown	48.4	46.4	48.7
Euro*	83.0	96.4	87.8
Hungarian forint	105.1	102.4	101.7
Romanian leu	76.8	67.2	133.3
Mexican peso	163.3	109.9	69.8
Australian dollar	33.5	25.0	27.9
Total receivables	769.9	674.2	716.8

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

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows receivable discounted at the average effective interest rate ('EIR') of 96% (30 June 2021: 93%, 31 December 2021: 93%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 12.6 months (30 June 2021: 12.6 months, 31 December 2021: 12.3 months).

Determining an increase in credit risk since initial recognition

IFRS 9 requires the recognition of 12 month expected credit losses (the expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1) and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3).

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

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

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

Definition of default and credit impaired assets

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

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

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

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

The breakdown of receivables by stage is as follows:

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

	Stage 1	Stage 2	Stage 3	Total net receivables
	£m	£m	£m	£m
30 June 2021				
Home credit	327.2	51.2	127.3	505.7
IPF Digital	155.8	8.2	4.5	168.5
Group	483.0	59.4	131.8	674.2

31 December 2021	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total net receivables £m
Home credit	360.3	57.9	125.3	543.5
IPF Digital	159.8	8.6	4.9	173.3
Group	520.1	66.5	130.2	716.8

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

Gross carrying amount and loss allowance

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

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

30 June 2021	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total net receivables £m
Gross carrying amount	610.0	108.5	412.6	1,131.1
Loss allowance	(127.0)	(49.1)	(280.8)	(456.9)
Group	483.0	59.4	131.8	674.2

31 December 2021	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total net receivables £m
Gross carrying amount	649.7	124.1	379.0	1,152.8
Loss allowance	(129.6)	(57.6)	(248.8)	(436.0)
Group	520.1	66.5	130.2	716.8

15. Non-current/current tax asset

As at 31 December 2021, the non-current tax asset included an amount of £15.3m that was paid pursuant to a HMRC Charging Notice in respect of a European Commission State Aid investigation into the Group Financing Exemption contained in the UK's controlled foreign company rules. At June 2022 this balance has been reduced to nil following the derecognition of the asset which stems from the decision by the General Court of the European Union in June 2022 confirming the European Commission's earlier Decision that the United Kingdom's Group Financing Exemption constitutes partial illegal state aid.

As at 30 June 2022, the current tax asset includes the recognition of amounts receivable following the Group's Polish subsidiary successfully obtaining a Ministry of Finance ruling confirming the tax deductibility of certain expenses linked to intra-group transactions in respect of years 2018 onwards. Further information relating to this is included on page 17.

16. Borrowing facilities and borrowings

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

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Repayable			
- in less than one year	28.6	43.3	3.1
- between one and two years	89.0	27.5	87.4
- between two and five years	390.0	401.0	381.1
	479.0	428.5	468.5
Total borrowings	507.6	471.8	471.6

Borrowings is stated net of deferred debt issuance costs of £5.6m (30 June 2021: £6.8m; 31 December 2021: £6.4m).

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

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Repayable			
- on demand	34.3	38.7	28.8
- in less than one year	35.0	99.1	29.1
- between one and two years	105.1	41.5	124.1
- between two and five years	396.8	416.8	392.8
Total facilities	571.2	596.1	574.8

The undrawn external bank facilities are as follows:

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Expiring within one year	40.7	94.5	54.8
Expiring between one and two years	15.3	14.0	35.8
Expiring in more than two years	2.0	9.0	6.2
Total	58.0	117.5	96.8

Undrawn external facilities above do not include unamortised arrangement fees.

The average period to maturity of the Group's external bonds and committed external borrowings is 2.5 years (30 June 2021: 3.0 years; 31 December 2021: 2.9 years).

The Group complied with its covenants at 30 June 2022. Each covenant calculation has been made in accordance with the terms of the relevant funding documentation.

17. Retirement benefit asset

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

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Diversified growth funds	5.8	7.4	7.9
Corporate bonds	15.5	19.0	20.2
Liability driven investments	17.0	21.8	23.1
Other	0.6	0.8	0.1
Total fair value of scheme assets	38.9	49.0	51.3
Present value of funded defined benefit obligations	(32.2)	(43.4)	(46.4)
Net asset recognised in the balance sheet	6.7	5.6	4.9

The charge recognised in the income statement in respect of defined benefit pension costs is £nil (6 months ended 30 June 2021: £nil, 12 months ended 31 December 2021: £0.1m credit).

18. Provisions

The Group receives claims brought by or on behalf of current and former customers in connection with its past conduct. Where significant, provisions are held against the costs expected to be incurred in relation to these matters. Customer redress provisions of £2.6m represent the Group's best estimate of the costs that are expected to be incurred in relation to early settlement rebates in Poland (30 June 2022: £1.6m; 31 December 2021: £3.3m; 30 June 2021: £21.7m) and claims management charges incurred in Spain (30 June 2022: £1.0m; 31 December 2021: £2.1m; 30 June 2021: £2.5m). All claims are expected to be settled within 12 months of the balance sheet date.

19. Fair values of financial assets and liabilities

IFRS 13 requires disclosure of fair value measurements of financial instruments by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of derivative financial instruments has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at the relevant period end.

In 2021 and 2022, there has been no change in classification of financial assets as a result of a change in purpose or use of these assets.

Except as detailed in the following table, the carrying value of financial assets and liabilities recorded at amortised cost, which are all short-term in nature, are a reasonable approximation of their fair value:

	Carrying value			Fair value		
	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Financial assets						
Amounts receivable from customers	769.9	674.2	716.8	992.6	902.8	938.4
	769.9	674.2	716.8	992.6	902.8	938.4
Financial liabilities						
Bonds	402.1	402.7	395.8	319.1	430.8	419.9
Bank borrowings	105.5	69.1	75.8	105.5	69.1	75.8
	507.6	471.8	471.6	424.6	499.9	495.7

The fair value of amounts receivable from customers has been derived by discounting expected future cash flows (as used to calculate the carrying value of amounts due from customers), net of agent collection costs, at the Group's weighted average cost of capital which we estimate to be 13% (30 June 2021 and 31 December 2021: 10%) which is assumed to be a proxy for the discount rate that a market participant would use to price the asset.

The fair value of the bonds has been calculated by reference to their market value.

The carrying value of bank borrowings is deemed to be a good approximation of their fair value. Bank borrowings can be repaid within six months if the Group decides not to roll over for further periods up to the contractual repayment date. The impact of discounting would therefore, be negligible. This methodology has been used consistently for all periods.

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

	Unaudited Six months ended 30 June 2022 £m	Unaudited Six months ended 30 June 2021 £m	Audited Year ended 31 December 2021 £m
Profit after taxation	30.8	22.9	41.9
<i>Adjusted for</i>			
Tax charge	3.0	20.4	25.8
Finance costs	30.0	25.8	54.0
Share-based payment charge/(credit)	1.4	(1.1)	(0.2)
Amortisation of intangible assets (note 10)	5.9	6.9	14.7
Profit on disposal of property, plant and equipment	-	0.2	0.4
Depreciation of property, plant and equipment (note 11)	3.0	2.8	5.6
Depreciation of right-of-use assets (note 12)	4.0	4.2	8.4
Short term and low value lease costs	0.6	0.6	1.2
<i>Changes in operating assets and liabilities</i>			
Amounts receivable from customers	(36.9)	(30.3)	(88.4)
Other receivables	(0.5)	(5.8)	(3.7)
Trade and other payables	(7.8)	12.9	26.7
Provision for liabilities and charges	(2.8)	5.8	(13.2)
Retirement benefit asset	(0.9)	(0.9)	(1.0)
Derivative financial instruments	(6.8)	5.7	2.1
Cash generated from operating activities	23.0	58.7	74.3

21. Foreign exchange rates

The table below shows the average exchange rates for the relevant reporting periods and closing exchange rates at the relevant period ends.

	Average H1 2022	Closing June 2022	Average H1 2021	Closing June 2021	Average Year 2021	Closing December 2021
Polish zloty	5.5	5.4	5.2	5.3	5.3	5.4
Czech crown	29.1	28.7	29.7	29.6	29.7	29.5
Euro	1.2	1.2	1.1	1.2	1.2	1.2
Hungarian forint	443.6	464.9	408.6	413.3	415.3	438.7
Romanian leu	5.9	5.8	5.6	5.7	5.7	5.9
Mexican peso	26.2	24.8	28.1	28.4	27.9	27.7
Australian dollar	1.8	1.8	1.8	1.8	1.8	1.9

The £18.9m exchange gain on foreign currency translations shown within the consolidated statement of comprehensive income arises on retranslation of net assets denominated in currencies other than sterling, due to the change in foreign exchange rates against sterling between December 2021 and June 2022 shown in the table above.

22. Post balance sheet events

There were no significant post balance sheet events.

Responsibility statement

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

The directors confirm that to the best of their knowledge:

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

Alternative performance measures (APMs)

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

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

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

Constant exchange rate reconciliations

The period-on-period change in profit and loss accounts is calculated by retranslating the 2021 half-year's profit and loss account at the average actual exchange rates used in the current year.

H1 2022

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

H1 2021 performance, at average H1 2021 foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customer numbers (000s)	808	624	247	-	1,679
Closing receivables	405.9	99.8	168.5	-	674.2
Customer lending	288.0	87.5	84.0	-	459.5
Revenue	140.1	64.9	57.9	-	262.9
Impairment	9.0	(8.5)	(12.2)	-	(11.7)
Revenue less impairment	149.1	56.4	45.7	-	251.2
Costs	(98.4)	(43.9)	(32.7)	(7.1)	(182.1)
Interest expense	(15.8)	(3.1)	(6.9)	-	(25.8)
Profit before tax	34.9	9.4	6.1	(7.1)	43.3

Foreign exchange movements

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customer numbers (000s)	-	-	-	-	-
Closing receivables	(15.1)	14.5	1.6	-	1.0
Customer lending	(13.6)	6.4	(1.6)	-	(8.8)
Revenue	(6.3)	4.6	(1.4)	-	(3.1)
Impairment	(0.3)	(0.8)	0.2	-	(0.9)
Revenue less impairment	(6.6)	3.8	(1.2)	-	(4.0)
Costs	3.7	(2.8)	0.7	-	1.6
Interest expense	0.8	(0.2)	0.2	-	0.8
(Loss)/profit before tax	(2.1)	0.8	(0.3)	-	(1.6)

Constant exchange rate reconciliations (continued)

H1 2021 performance, at average H1 2022 foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customer numbers (000s)	808	624	247	-	1,679
Closing receivables	390.8	114.3	170.1	-	675.2
Customer lending	274.4	93.9	82.4	-	450.7
Revenue	133.8	69.5	56.5	-	259.8
Impairment	8.7	(9.3)	(12.0)	-	(12.6)
Revenue less impairment	142.5	60.2	44.5	-	247.2
Costs	(94.7)	(46.7)	(32.0)	(7.1)	(180.5)
Interest expense	(15.0)	(3.3)	(6.7)	-	(25.0)

Year-on-year movement at constant exchange rates

%	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customer numbers (000s)	-	-	-	-	-
Closing receivables	12.9%	23.2%	10.3%	-	14.0%
Customer lending	5.0%	24.0%	32.0%	-	13.9%
Revenue	11.2%	34.0%	(1.8%)	-	14.5%
Impairment	(112.6%)	(233.3%)	6.7%	-	(243.7%)
Revenue less impairment	3.6%	3.2%	(0.4%)	-	2.8%
Costs	(4.5%)	(7.9%)	(4.1%)	(7.0%)	(5.4%)
Interest expense	(27.3%)	(30.3%)	3.0%	-	(20.0%)

Balance sheet and returns measures

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

Average Gross Receivables	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
European home credit	721.9	721.8	708.1
Mexico home credit	201.2	170.9	179.0
Digital	247.2	285.7	254.2
Group	1,170.3	1,178.4	1,141.3

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

Impairment coverage ratio	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Closing gross carrying amount	1,232.9	1,131.1	1,152.8
Loss allowance	(463.0)	(456.9)	(436.0)
Closing net receivables	769.9	674.2	716.8
Impairment coverage ratio	37.6%	40.4%	37.8%

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

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

Pre-exceptional ROE 30 June 2021	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Equity (net assets)	363.0	388.5	-
Exceptional items	-	6.7	10.9
Pre-exceptional equity	363.0	395.2	-
Average pre-exceptional equity	379.1	-	-
Profit/(loss) after tax	22.9	(61.5)	(64.2)
Exceptional items	-	6.7	10.9
Pre-exceptional profit/(loss)	22.9	(54.8)	(53.3)
Pre-exceptional profit 12 months to 30 June 2021	24.4	-	-
Pre-exceptional ROE	6.4%	-	-

Independent review report to International Personal Finance plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 22.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

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

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

Conclusion relating to going concern

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

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

Responsibilities of the directors

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

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

Auditor’s responsibilities for the review of the financial information

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

Use of our report

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

Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
27 July 2022