Half-year Financial Report
for the six months ended 30 June 2018

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International Personal Finance plc
Half-year Financial Report for the six months ended 30 June 2018
This announcement contains inside information

International Personal Finance plc specialises in providing unsecured consumer credit to more than two million customers across 11 markets. We operate the world's largest home credit business and a leading fintech business, IPF Digital.

Key highlights

- **Good Group operating and financial performance**
  - Credit issued growth of 2%
  - Well-managed credit quality - group annualised impairment to revenue ratio of 25.5%
  - Group profit before tax from ongoing businesses increased by £12.6m to £56.5m after restating the 2017 PBT on an IFRS 9 basis

- **European home credit – good financial performance**
  - As expected, challenging market landscape drove credit issued contraction of 6%
  - Improved post-field collections supported £4.4m higher profit under IFRS 9 to £60.2m

- **Mexico home credit – investment in expansion delivering growth**
  - Return to customer growth driven by geographic expansion and micro-business channel
  - 3% increase in customer numbers and 7% growth in credit issued
  - Good profit growth to £7.4m

- **IPF Digital – very good progress and P&L investment significantly reduced**
  - Excellent execution delivered strong credit issued growth of 25%
  - Established markets delivered good growth and improved profitability
  - New markets delivered strong growth, improved impairment and lower start-up losses

- **Funding position further strengthened; dividend maintained**
  - Good progress extending and diversifying funding: Issued new 4-year Swedish Krona 450m (£38.6m) 2022 bond and £17.6m of new bank funding added including two new banks
  - £211m of headroom on debt facilities increased from £189m at 31 December 2017
  - Equity to receivables of 43.5% post-IFRS 9 implementation
  - Proposed interim dividend maintained at 4.6 pence per share

Group key statistics (continuing operations)	H1 2017 reported	H1 2017 IFRS 9	**H1 2018 IFRS 9**	YOY change IFRS 9 at CER
Customers (000s)†	2,395	2,395	**2,247**	(6.2%)
Credit issued (£m)	616.0	616.0	**632.2**	2.2%
Revenue (£m)	400.8	409.3	**418.9**	2.5%
Annualised impairment % revenue†	26.4%	27.9%#	**25.5%**	2.4%*
Annualised cost-income ratio†	43.3%	44.3%#	**45.7%**	(1.4%)*
PBT from ongoing businesses† (£m)	37.6	43.9	**56.5**	-
Statutory PBT (£m)	43.0	49.3	**56.5**	-
Statutory EPS (pence)	13.6	15.5	**16.7**	-

† Excluding Slovakia and Lithuania. * since the 2017 year-end # as at 2017 year end

Chief Executive Officer, Gerard Ryan, commented:
"I am pleased to report that we delivered a good financial performance and made excellent progress against our strategic objectives. Group profit before tax increased by £12.6m to £56.5m reflecting profit growth in our home credit operations and IPF Digital's established markets together with significantly reduced start-up losses within IPF Digital's new markets. We also strengthened our funding position and while we expect the regulatory and competitive landscape to remain challenging, we are on track to deliver good returns from our European home credit operations, achieve our medium-term growth strategy in Mexico home credit and IPF Digital, and continue to deliver long-term value for our key stakeholders."

Group performance overview

The performance reporting in this report compares the 2018 actual half-year performance against the 2017 numbers adjusted for IFRS 9 because the Board believes that this provides the most relevant comparison of performance trends. More detail on IFRS 9 can be found on pages 14 and 15, and a full reconciliation of the 2017 profit and loss account between the reported numbers and the IFRS 9 numbers is set out on pages 46 and 47 of this report.

We continued to perform well against our strategy in the first half of the year which resulted in 2% credit issued growth and a £7.2m (15%) increase in profit before tax to £56.5m (statutory profit before tax increase, IAS 39 2017 to IFRS 9 2018 is £13.5m). This increase in profit comprised £12.6m from our ongoing businesses partially offset by a £5.4m reduction in the contribution from Slovakia and Lithuania which reported a profit in the first half of 2017 when they were being wound down. We are in the process of liquidating the home credit businesses in Slovakia and Lithuania, and this did not result in any profit and loss account charge or credit during the first half of 2018.

The increase in profit from our ongoing businesses of £12.6m comprised an increase in like-for-like profit before tax of £7.3m, a benefit of £4.5m from lower new business investment and a £0.8m gain from stronger FX rates. The like-for-like performance reflects profit growth delivered by our home credit operations and IPF Digital's established markets. The lower new business investment comprises £5.1m within IPF Digital's new markets and central functions where start-up losses were significantly reduced year-on-year, partially offset by increased new business investment in Mexico home credit of £0.6m.

The table below details the performance of each of our business segments, highlighting the impact of investment in new business growth and slightly stronger FX rates against sterling to provide a better understanding of like-for-like performance:

	H1 2017 IFRS 9 profit £m	Like-for-like profit movement £m	New business investment movement £m	Stronger / weaker FX rates £m	**H1 2018 IFRS 9 profit £m**
European home credit	55.8	2.6	-	1.8	**60.2**
Mexico home credit	5.7	3.2	(0.6)	(0.9)	**7.4**
IPF Digital	(10.5)	1.8	5.1	(0.1)	**(3.7)**
Central costs	(7.1)	(0.3)	-	-	**(7.4)**
Profit before taxation ongoing businesses	43.9	7.3	4.5	0.8	**56.5**
Slovakia and Lithuania	5.4	(5.6)	-	0.2	**-**
Profit before taxation from continuing operations	49.3	1.7	4.5	1.0	**56.5**

In line with our plan, we delivered a 2% increase in credit issued led by our IPF Digital and Mexico home credit businesses, offset partially by a 6% contraction in European home credit. This resulted in an increase in average net receivables of 6% and 2% growth in revenue. Credit quality and good collections were maintained across the Group, and impairment as a percentage of revenue was 25.5% compared to 27.9% at the 2017 year end. Our investments in driving growth and longer-term efficiency, together with modest yield compression, resulted in a 1.4 ppt increase in the cost-income ratio to 45.7% since the year end.

Market overview

Current forecasts for our markets suggest modest GDP growth in 2018, with low but increasing inflation and subdued interest rates and our expectation is that these relatively stable conditions will continue to support growth in demand for consumer credit in our markets.

The rapid increase in mobile device usage and internet penetration continues to influence the way that consumers access credit with a growing number of consumers preferring to take out loans online which has supported growth in the provision of remote digital loans by both fintech lenders including IPF Digital, and banks. We are continuing to take advantage of the growth in digital borrowing by investing in our digital consumer credit businesses and offering Provident-branded digital loans.

Demand for lending via digital platforms continues to increase the overall scale of the market and has led to an intensely competitive operating landscape in Europe. Our home credit offering continues to play an important role in the consumer credit space providing access to regulated credit to people who might otherwise be financially excluded. This business model, with the involvement of an agent at the customer's home, allows us to gain a unique and greater understanding of their financial circumstances and propensity to repay. As a result, we are able to lend with more confidence to creditworthy customers where a remote lending business cannot.

Strategy update

Our strategy segments our operations into 'growth' and 'returns' focused businesses, and is centred on delivering sustainable growth, enhancing profitability and making efficient use of capital. To deliver this strategy, we continued to modernise the business through investment in technology and developing our people and their capabilities.

Growth businesses – IPF Digital and Mexico home credit

IPF Digital continues to grow strongly and is making excellent progress against its strategic objectives of building scale in new markets, providing great customer experience through innovation and achieving break-even following the investment phase.

Our new markets delivered year-on-year credit issued growth in the first half of 33% which combined with continuing strong growth of 20% in our established markets, resulted in 25% growth for the digital business as a whole. This strong momentum combined with continuous improvement in credit quality parameters in our new markets is driving strong net revenue growth and improving financial performance in line with our expectations.

A key element of our digital strategy is providing great customer experience. We aim to deliver this by continuously developing and improving our products and processes, and making the customer journey as simple, fast and frictionless as possible. We continue to invest in our central functions and cutting-edge technology to support this critical element of our strategy.

In Mexico, we are leveraging the significant growth opportunities for our home credit business through expanding our geographic footprint, building our micro-business channel ‘Negocio’ and improving operational efficiency and customer penetration rates in selected longer-established branches. Our expansion programme continued with the opening of five new branches in Q2 which will support future customer and credit issued growth. This completes our branch opening programme for the current year. Our micro-business channel now serves around 20,000 customers, compared to 16,000 at the year end, and we expect further growth in the second half of the year.

Returns businesses – European home credit

We continue to improve the sustainability of our European home credit businesses by creating more modern, efficient and better credit quality operations. Our businesses provide excellent service to customers and continue to generate the cash and capital to fund growth opportunities and returns to shareholders, notwithstanding the fact that we saw a larger reduction in customer numbers than we would have wished. The reduction is, in large part, driven by regulatory changes to debt to income ratios and also an increasing customer preference for digital loans. To meet the growing demand for digital loan offerings among traditional home credit customers, we continue to leverage the value of our well-recognised Provident brand name with an online Provident digital offering. As planned, this offering was launched in the Czech Republic in June 2018 and around 18,000 customers are already using this channel in Poland.

We remain focused on improving the efficiency of our operations through investment in technology. We continued the roll-out of our agent mobile technology which will improve the customer experience, make the role of the agent more efficient and facilitate cost reductions. This technology is now being used by around 9,000 agents in Poland, the Czech Republic and Hungary, and is currently in its testing phase in Romania.

Performance review

European home credit

As we set out in our 2017 full-year announcement, we consolidated our Northern and Southern European home credit businesses into one reporting segment – European home credit.

Our European home credit businesses produced a robust trading performance and delivered a £4.4m increase in profit before tax (on an IFRS 9 basis) to £60.2m in the first half of 2018. This increase reflects an improvement in like-for-like profit of £2.6m driven by an increase in net revenue with better impairment more than offsetting lower revenue, together with a £1.8m benefit from stronger FX rates.

	H1 2017 IFRS 9 £m	**H1 2018 IFRS 9 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	1,333	**1,132**	(201)	(15.1)	
Credit issued	378.8	**367.7**	(11.1)	(2.9)	(5.5)
Average net receivables	565.0	**568.9**	3.9	0.7	(2.3)
Revenue	258.9	**250.1**	(8.8)	(3.4)	(5.9)
Impairment	(63.5)	**(44.9)**	18.6	29.3	30.4
Net revenue	195.4	**205.2**	9.8	5.0	2.0
Finance costs	(17.8)	**(18.0)**	(0.2)	(1.1)	1.6
Agents' commission	(28.1)	**(27.2)**	0.9	3.2	5.9
Other costs	(93.7)	**(99.8)**	(6.1)	(6.5)	(3.5)
Profit before taxation	55.8	**60.2**	4.4	7.9	

As expected, competition and regulatory tightening impacted customer numbers and credit issued growth which contracted year-on-year by 15% and 6% respectively. Our move to serve better quality customers allows us to lend slightly larger and longer-term loans and, as a result, average net receivables reduced by only 2% and, together with a modest contraction in revenue yield, revenue reduced by 6%.

The quality of the loan portfolio in European home credit is very good. As reported in our 2016 full-year results announcement and following a review of the most effective collections processes, we began to transfer the management of very slow paying customers from our field sales and service teams to our central debt recovery teams. We are pleased to report that this process has improved the effectiveness of recovering payments from these customers. The other factors impacting impairment were good returns from debt sales, lower underlying impairment in Romania, where there was no repeat of the disruption that adversely impacted collections in the first half of 2017, and our focus on serving higher quality customers who are eligible to be served with larger, longer-term loans. Together these factors resulted in a 3.2 ppt improvement in annualised impairment as a percentage of revenue to 17.6% since the 2017 year end.

We are investing in digitising our European home credit businesses to create more modern operations and deliver sustainable cost efficiencies. The cost-income ratio increased by 1.8 ppts since the 2017 year end to 41.6% driven by a modest contraction in revenue yields and the investment in both our Provident-branded digital offering and agent mobile technology. We expect this ratio to improve during the second half of the year as we begin to realise the efficiency benefits from these investments.

We will continue to operate our European home credit businesses in line with our strategy to deliver a high level of service to our customers while optimising returns. Operationally, our focus will be on reducing customer contraction, improving cost-efficiencies and as announced on 13 July 2018, we expect to deliver a better financial performance for the year as a whole than our original expectations.

Mexico

Our home credit business in Mexico delivered a £1.7m improvement in profit before tax (on an IFRS 9 basis) to £7.4m in the first half of the year. This comprises like-for-like profit growth of £3.2m delivered by our established branches, increased investment in future growth of £0.6m through geographical expansion and Negocio, the micro-business channel, together with a £0.9m adverse impact from weaker FX rates.

	H1 2017 IFRS 9 £m	**H1 2018 IFRS 9 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	841	**865**	24	2.9	
Credit issued	131.2	**129.1**	(2.1)	(1.6)	6.5
Average net receivables	147.5	**144.1**	(3.4)	(2.3)	5.1
Revenue	106.3	**103.5**	(2.8)	(2.6)	5.4
Impairment	(35.7)	**(34.1)**	1.6	4.5	(3.6)
Net revenue	70.6	**69.4**	(1.2)	(1.7)	6.3
Finance costs	(5.9)	**(5.0)**	0.9	15.3	9.1
Agents' commission	(14.1)	**(13.5)**	0.6	4.3	(3.1)
Other costs	(44.9)	**(43.5)**	1.4	3.1	(3.8)
Profit before taxation	5.7	**7.4**	1.7	29.8	
Established branches	8.0	**10.0**	2.0	25.0	
Expansion and micro-business	(2.3)	**(2.6)**	(0.3)	(13.0)	
Profit before taxation	5.7	**7.4**	1.7	29.8	

We were pleased to return to customer growth attracting 37,000 more new customers since the 2017 year end compared to no growth last year, when our focus was on repeat lending to existing customers. Against strong comparative numbers, we delivered a 7% increase in credit issued driven by the branches that we have opened since 2016 and our micro-business lending channel.

Average net receivables increased by 5% which flowed into revenue growth at the same rate. The collections performance was in line with 2017 and annualised impairment as a percentage of revenue was 35.9%, marginally better than the 2017 year end.

Costs were well-managed in our established branches where we are focused on improving operational leverage and this resulted in a modest reduction in costs year-on-year. In line with our growth strategy, we invested in expanding our geographic footprint with the opening of five new branches in Q2 2018 and growing our micro-business channel, which drove a 4% increase in other costs to £43.5m at constant exchange rates (actual reduction of £1.4m). Overall, the increase in investment was in line with revenue growth, therefore the cost-income ratio was maintained at the 2017 year-end level of 40.0%. As previously mentioned, the geographic expansion undertaken in the first half concludes our branch opening programme for the current year.

There are significant growth opportunities for our home credit business in Mexico through expanding our geographic footprint and micro-business loans channel, and improving customer penetration rates in selected established branches. In the second half of the year, we will focus on quality growth and expect to deliver an increased credit issued growth rate of between 12% and 15% for the year as a whole. As we accelerate growth in the second half, we now expect customer growth to be higher than our original plan and this will have a greater drag on net revenue recognition under IFRS 9. This investment will drive long-term profitable growth as the benefits will flow through from repeat lending although it will have a modest negative impact on current year profit.

IPF Digital

Robust demand for IPF Digital's offering and a strong operational performance resulted in a significant year-on-year reduction in start-up losses. Losses before tax in the first half of the year were £3.7m, which is a £6.8m improvement (on an IFRS 9 basis) on the same period in 2017. This result was driven by significantly reduced losses in our new markets where we delivered strong top-line growth, improved impairment and cost-leverage combined with improved profitability in the established markets.

	H1 2017 IFRS 9 £m	**H1 2018 IFRS 9 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	221	**250**	29	13.1	
Credit issued	106.0	**135.4**	29.4	27.7	25.4
Average net receivables	128.7	**189.6**	60.9	47.3	44.4
Revenue	44.1	**65.3**	21.2	48.1	45.4
Impairment	(21.1)	**(23.6)**	(2.5)	(11.8)	(8.8)
Net revenue	23.0	**41.7**	18.7	81.3	79.7
Finance costs	(3.4)	**(5.0)**	(1.6)	(47.1)	(47.1)
Other costs	(30.1)	**(40.4)**	(10.3)	(34.2)	(32.9)
Loss before taxation	(10.5)	**(3.7)**	6.8	64.8	

Excellent execution of delivering our digital offering, particularly our credit line product, resulted in a 25% increase in credit issued to £135.4m. This growth, combined with the good momentum achieved in 2017, resulted in an increase in average net receivables of 44% and a similar increase in revenue.

The benefits of our strategy to invest in building scale in IPF Digital are now starting to be realised. Development of our score cards and credit settings in the new markets was the key driver of a 5.9 ppt improvement in annualised impairment as a percentage of revenue to 39.8% since the year end. Positive cost-leverage trends, particularly in our new markets, resulted in a 2.3 ppt reduction in the cost-income ratio to 59.5%. The strong operational performance was driven by a significant reduction in start-up losses in the new markets and improved profitability in our established markets, offset partially by further investment in head office capabilities.

The profitability of IPF Digital is segmented as follows:

	H1 2017 IFRS 9 £m	**H1 2018 IFRS 9 £m**	Change £m	Change %
Established markets	8.5	**10.5**	2.0	23.5
New markets	(14.8)	**(8.3)**	6.5	43.9
Head office costs	(4.2)	**(5.9)**	(1.7)	(40.5)
IPF Digital	(10.5)	**(3.7)**	6.8	64.8

Established markets

	H1 2017 IFRS 9 £m	**H1 2018 IFRS 9 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	141	**151**	10	7.1	
Credit issued	63.7	**78.3**	14.6	22.9	20.3
Average net receivables	93.8	**126.6**	32.8	35.0	31.9
Revenue	27.9	**37.4**	9.5	34.1	30.8
Impairment	(5.0)	**(8.1)**	(3.1)	(62.0)	(50.0)
Net revenue	22.9	**29.3**	6.4	27.9	26.3
Finance costs	(2.4)	**(3.1)**	(0.7)	(29.2)	(29.2)
Other costs	(12.0)	**(15.7)**	(3.7)	(30.8)	(29.8)
Profit before taxation	8.5	**10.5**	2.0	23.5	

Our established markets delivered a good financial performance reporting a £2.0m improvement in first-half profit before tax to £10.5m. Our customer relationship management, enhanced pricing strategies and increased customer acquisition investment drove demand for our digital offerings, particularly in Finland, and our credit line product helped to deliver faster-than-expected credit issued growth of 20% in these markets. This flowed through to a 32% increase in average net receivables and a similar rate of revenue growth.

Credit quality continued to be well-managed and impairment as a percentage of revenue at 22.0% compares to 20.6% at the 2017 year end.

New markets

	H1 2017 IFRS 9 £m	**H1 2018 IFRS 9 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	80	**99**	19	23.8	
Credit issued	42.3	**57.1**	14.8	35.0	33.1
Average net receivables	34.9	**63.0**	28.1	80.5	78.5
Revenue	16.2	**27.9**	11.7	72.2	71.2
Impairment	(16.1)	**(15.5)**	0.6	3.7	4.9
Net revenue	0.1	**12.4**	12.3	-	-
Finance costs	(1.0)	**(1.9)**	(0.9)	(90.0)	(90.0)
Other costs	(13.9)	**(18.8)**	(4.9)	(35.3)	(35.3)
Loss before taxation	(14.8)	**(8.3)**	6.5	43.9	

Our new markets, where we are working to develop each market's processes to optimise lending and collections, delivered year-on-year credit issued growth of 33%. This was enabled by our investment in brand building and the introduction of tiered pricing, in addition to enhanced customer relationship management and product improvements. Our Australian business doubled credit issued and we saw continued strong rates of growth in Poland and Spain. Average net receivables grew by 79% which delivered a 71% increase in revenue.

As part of our new market development, we continually make changes to our score cards and credit settings. This enables us to assess how a portfolio is performing before choosing to tighten credit settings to drive improvement in impairment or relax them to deliver higher levels of growth. This dynamic process is critical to improving our lending decisions and, as expected, has been key to delivering the improving impairment trends in our new markets. Annualised impairment as a percentage of revenue improved by 20.1 ppts to 64.6% since the year end and we expect to see further improvement in the second half of the year as these markets grow and mature. Investment in marketing and customer relationship management increased other costs by 35% to £18.8m, however, the growth and economies of scale generated from this activity resulted in a 6.4 ppt improvement in the cost-income ratio to 64.2%.

IPF Digital represents a significant long-term growth opportunity for the Group and is continuing to develop in line with our plans. Looking ahead, we expect IPF Digital to continue to deliver good credit issued growth and a further improvement in the financial performance in the second half of the year as we continue to build scale in our new markets and generate returns in our established markets. We firmly believe that we will deliver a maiden profit for the division as a whole in 2019.

Regulatory update
As previously reported, a proposal to implement an APR cap at 18% for existing and new consumer lending is being debated in the Romanian Parliament. In order to achieve a more balanced outcome which is in the best interests of customers and market participants, we, together with our trade associations and banks, are actively engaged in this discussion by providing evidence to decision makers of the potential unintended consequences on consumers. We expected that an APR cap would have been enacted before this half-year results announcement, however, it is now understood that the parliamentary debate will continue in the Autumn to enable Government stakeholders to better understand the impacts of the proposal. If the legislation is enacted as currently proposed, it would have a material adverse effect on our Romanian business. Additionally, and again as previously reported, our Romanian business has now moved to the Special Registry under the auspices of the National Bank of Romania (NBR). As expected, the NBR is considering the introduction of debt-to-income limits. Although details of the official proposals have yet to be published, we are engaged in discussions with stakeholders through our trade associations with the aim of achieving a balanced outcome. We anticipate the limits coming into effect later this year and expect them to result in a reduction in sales volumes.

The Romanian business had net receivables as at 31 December 2017 of £76.6m (under IFRS 9) and we currently expect to generate a profit before tax in Romania of around £13m in 2018, before any impact from the APR cap proposal and/or debt-to-income limits. In the event that either or both proposals is or are enacted, we will assess the impact and update the market accordingly in our Q3 trading and/or full year results announcement.

There has been no update from the Polish Ministry of Justice on its proposal, published in December 2016, to reduce the existing non-interest price cap in Poland.

Taxation
The taxation charge on profit for the first six months of 2018 has been based on an expected effective tax rate of 34%.

As previously reported, our home credit business in Poland appealed decisions received in January 2017 from the Polish Tax Chamber (the upper tier of the Polish tax authority) with respect to the 2008 and 2009 financial years. The decisions for both years involve a transfer pricing challenge relating to an intra-group arrangement with a UK entity, together with a challenge to the timing of taxation of home collection fee revenues. In order to appeal these decisions, with which we strongly disagree, it was necessary to pay the amounts assessed. The payment is not a reflection of our view on the merits of the case and, accordingly, it has been recognised as a non-current financial asset of £35.1m (comprising tax and associated interest) in our Group financials. During 2017 we initiated a process with the UK tax authority aimed at ensuring that the intra-group arrangement is taxed in accordance with international tax principles and, in response, the Polish court has stayed the hearings of the 2008 and 2009 appeals pending resolution of this process. The 2010 and 2011 financial years are being audited by the tax authorities in Poland currently. In the event that the Polish tax authority were to issue decisions for these years following the same reasoning as the decisions for 2008 and 2009 we would need to pay c. £43m in order to appeal the cases. In this eventuality we would seek to include these years also in the existing process with the UK and Polish tax authorities. All subsequent financial years remain open to future audit.

Funding and balance sheet

We further strengthened our debt funding position in the first half of 2018. In June, we issued a Swedish Krona 450m (£38.6m) senior unsecured floating rate bond due in 2022 under our existing Euro medium-term note programme. This forms part of our funding strategy to support the long-term growth of the business by diversifying sources of debt funding, and extending the debt maturity profile beyond the main Eurobond maturity in 2021. In addition, we put in place £17.6m of new bank funding including facilities provided by two new banks in Romania and Poland.

At June 2018 we had total debt facilities of £864.6m (£584.1m bonds and £280.5m bank facilities) and borrowings of £653.6m, with headroom on undrawn debt facilities of £211m. Of our committed funding, £47.6m now extends beyond the Eurobond maturity in 2021 and we plan to continue to extend the debt maturity profile further. We repaid total bonds of £37.0m which matured in the first half of 2018, and have further bond maturities of £27.6m in Q4 2018 and £14.9m in December 2019.

Our balance sheet remains robust, with an equity to receivables capital ratio at 30 June 2018 of 43.5% compared with 42.2% at December 2017. This is stated after the one-time reduction in the accounting value of receivables at the start of the year arising from the implementation of IFRS 9 which totalled £130.5m or 12.3% of the accounting value of the receivables portfolio under the old accounting standard. This impact has been charged to equity in accordance with the transitional rules included in IFRS 9. The impact of this reduction on net assets was partially mitigated by an increase in the deferred tax asset reflecting the fact that, under IFRS 9, net revenue is recorded more slowly in the financial statements than under the old accounting standard and hence the timing difference between the financial statements and the tax returns is larger. The impact of IFRS 9 on the opening balance sheet is summarised below.

	Reported 1 January 2018 £m	Transitional impact £m	**IFRS 9 1 January 2018 £m**
Receivables	1,056.9	(130.5)	**926.4**
Deferred tax	93.0	24.8	**117.8**
Other net assets	(653.0)	-	**(653.0)**
Net assets	496.9	(105.7)	**391.2**
Equity % receivables	47.0%		**42.2%**

Dividend

The Board is pleased to declare an unchanged interim dividend of 4.6 pence per share. The dividend will be paid on 5 October 2018 to shareholders on the register at the close of business on 7 September 2018. The shares will be marked ex-dividend on 6 September 2018.

Principal risks and uncertainties

We operate a formal risk management process, the details of which are set out on page 37 of the Financial Statements for the year ended 31 December 2017. A summary of these risks is included in Note 2 of this half-year Financial Report.

Outlook
We are focused on serving our customers responsibly within a regulatory and competitive landscape that we expect will remain challenging. We will continue to improve the sustainability of our European home credit businesses by investing to create a more modern, efficient and higher credit quality operation that provides a good service to customers. These businesses deliver good returns for shareholders and fund growth opportunities in our Mexico home credit and IPF Digital operations. We expect credit issued growth in Mexico home credit to accelerate in the second half of the year alongside higher customer growth than our original plan. This will result in a drag on net revenue recognition under IFRS 9 and therefore we now expect slightly lower profit growth in the current year from this market. In IPF Digital we expect to deliver further strong customer and credit issued growth and an improved financial performance as we increase the scale of our business, particularly in our new markets. At Group level and as announced on 13 July 2018, we now expect to exceed the 2018 profit before tax consensus of £99.4m by approximately 10% as a result of stronger than expected post-field collections in our European home credit businesses.

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 Financial Report, a glossary indicating the APMs that we use, an explanation of how they are calculated and why we use them, and a reconciliation of the APMs we use to a statutory measure, where relevant.

IFRS 9
IFRS 9 is a new accounting standard that addresses accounting for financial instruments and the main impact on the Group is a change to the methodology used to account for amounts receivable from customers. The key change is a shift from incurred loss to expected loss impairment accounting. Under IFRS 9, we are required to record impairment charges at the inception of a loan based on the losses that are expected to be incurred and this results in negative net revenue at the start of a loan. The new standard became effective on 1 January 2018.

Implementation of the standard results in changes in the recognition of revenue and impairment and, as a consequence, the accounting value of the Group's receivables portfolio. The one-time reduction in the accounting value of receivables has been charged to equity in accordance with the transition rules of IFRS 9 and further details on this are set out in the funding and balance sheet section of this report. The ongoing impact on profit before tax of our reporting segments varies according to the stage of development of a business. If a reporting segment's receivables portfolio is stable in terms of size and credit quality, IFRS 9 will not have a significant impact on net revenue generation. This is because for every new loan issued where impairment is booked on origination, there is another older loan that reports higher net revenue than under the current accounting standard. However, if a reporting segment's receivables portfolio is growing, net revenue and profit will be lower in the earlier months under IFRS 9. This is because impairment booked on originating loans will be larger than the benefit arising from lower impairment on the older loans, due to portfolio growth.

The profit before taxation impact that IFRS 9 would have had on our 2017 half-year reporting is summarised below.

	H1 2017 reported profit £m	IFRS 9 impact £m	H1 2017 IFRS 9 profit £m
European home credit	47.6	8.2	55.8
Mexico home credit	5.3	0.4	5.7
IPF Digital	(8.2)	(2.3)	(10.5)
Central costs	(7.1)	-	(7.1)
Profit before taxation ongoing businesses	37.6	6.3	43.9
Slovakia and Lithuania	5.4	-	5.4
Profit before taxation from continuing operations	43.0	6.3	49.3

In addition to the overall impact of IFRS 9 on our reporting segments set out above, the application of the new accounting model results in lower seasonal fluctuations in impairment charges and profit before tax than under the old accounting standard. Under IAS 39, 42% of European home credit 2017 profit before tax was reported in the first half of the year whereas under IFRS 9, 50% would have been reported for the same period.

In the condensed consolidated interim financial information included within this half-year Financial Report, the Group has elected not to restate comparatives on initial application of IFRS 9 and, as such, 2017 comparatives are as previously reported.

Note

This report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The report should not be relied on by any other party or for any other purpose. The report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, like-for-like any such forward-looking information. Percentage change figures for all performance measures, other than profit before taxation and earnings per share, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate (CER) for 2018 in order to present the like-for-like performance variance.

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We will host a live webcast of our half-year results presentation at 09:00hrs (BST) today, Wednesday 25 July 2018, which can be accessed at www.ipfin.co.uk.

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

Legal Entity Identifier: 213800II1O44IRKUZB59

International Personal Finance plc
Condensed consolidated interim financial information for the six months ended 30 June 2018

Consolidated income statement

	Notes	**Unaudited Six months ended 30 June 2018 £m**	Unaudited Six months ended 30 June 2017 £m	Audited Year ended 31 December 2017 £m
Revenue	4	**418.9**	400.8	825.8
Impairment	4	**(102.5)**	(109.9)	(201.1)
Revenue less impairment		**316.4**	290.9	624.7
Finance costs		**(28.0)**	(27.1)	(55.2)
Other operating costs		**(67.3)**	(66.7)	(135.2)
Administrative expenses		**(164.6)**	(154.1)	(328.7)
Total costs		**(259.9)**	(247.9)	(519.1)
Profit before taxation – continuing operations	4	**56.5**	43.0	105.6
Tax expense – UK		**-**	-	(0.7)
– Overseas		**(19.2)**	(12.9)	(29.9)
Total pre-exceptional tax expense	5	**(19.2)**	(12.9)	(30.6)
Profit after pre-exceptional taxation – continuing operations		**37.3**	30.1	75.0
Exceptional tax expense		**-**	-	(30.0)
Profit after taxation – continuing operations		**37.3**	30.1	45.0
Loss after taxation – discontinued operations	8	**-**	(7.7)	(8.4)
Profit after taxation attributable to owners of the Company		**37.3**	22.4	36.6

Earnings per share – continuing operations pre-exceptional

	Notes	**Unaudited Six months ended 30 June 2018 pence**	Unaudited Six months ended 30 June 2017 pence	Audited Year ended 31 December 2017 pence
Basic	6	**16.7**	13.6	33.7
Diluted	6	**15.9**	13.0	32.4

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

Earnings per share – continuing operations

	Notes	**Unaudited Six months ended 30 June 2018 pence**	Unaudited Six months ended 30 June 2017 pence	Audited Year ended 31 December 2017 pence
Basic	6	**16.7**	13.6	20.2
Diluted	6	**15.9**	13.0	19.5

Earnings per share – including discontinued operations

	Notes	**Unaudited Six months ended 30 June 2018 pence**	Unaudited Six months ended 30 June 2017 pence	Audited Year ended 31 December 2017 pence
Basic	6	**16.7**	10.1	16.5
Diluted	6	**15.9**	9.7	15.8

Dividend per share

	Notes	**Unaudited Six months ended 30 June 2018 pence**	Unaudited Six months ended 30 June 2017 pence	Audited Year ended 31 December 2017 pence
Interim dividend	7	**4.6**	4.6	4.6
Final dividend	7	**-**	-	7.8
Total dividend		**4.6**	4.6	12.4

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

Dividends paid

	Notes	**Unaudited Six months ended 30 June 2018 £m**	Unaudited Six months ended 30 June 2017 £m	Audited Year ended 31 December 2017 £m
Interim dividend of 4.6 pence (2017: interim dividend of 4.6 pence) per share	7	**-**	-	10.2
Final 2017 dividend of 7.8 pence (2017: final 2016 dividend of 7.8 pence) per share	7	**17.4**	**17.4**	17.4
Total dividends paid		**17.4**	**17.4**	27.6

Consolidated statement of comprehensive income

	Unaudited Six months ended 30 June 2018 £m	Unaudited Six months ended 30 June 2017 £m	Audited Year ended 31 December 2017 £m
Profit after taxation attributable to owners of the Company	**37.3**	22.4	36.6
Other comprehensive income			
Items that may subsequently be reclassified to income statement			
Exchange (losses)/gains on foreign currency translations	**(30.4)**	37.8	51.3
Net fair value (losses)/gains – cash flow hedges	**(1.2)**	1.8	(2.5)
Tax credit/(charge) on items that may be reclassified	**0.2**	(0.4)	0.2
Items that will not subsequently be reclassified to income statement			
Actuarial gains on retirement benefit asset	**3.3**	2.2	10.3
Tax charge on items that will not be reclassified	**(0.6)**	(0.4)	(1.9)
Other comprehensive (expense)/income net of taxation	**(28.7)**	41.0	57.4
Total comprehensive income for the period attributable to owners of the Company	**8.6**	63.4	94.0

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

Consolidated balance sheet

	Notes	**Unaudited 30 June 2018 £m**	Unaudited 30 June 2017 £m	Audited 31 December 2017 £m
Assets				
Non-current assets				
Goodwill	9	**23.9**	23.9	24.4
Intangible assets	10	**33.9**	34.9	33.1
Property, plant and equipment	11	**19.2**	24.3	23.2
Deferred tax assets		**116.8**	118.9	103.1
Non-current tax asset	12	**35.1**	36.0	37.0
Retirement benefit asset	15	**6.5**	-	2.1
		235.4	238.0	222.9
Current assets				
Amounts receivable from customers				
- due within one year		**715.4**	863.1	866.9
- due in more than one year		**172.9**	147.1	190.0
	13	**888.3**	1,010.2	1,056.9
Derivative financial instruments		**5.9**	3.0	10.4
Cash and cash equivalents		**33.6**	32.3	27.4
Other receivables		**24.4**	30.2	19.3
Current tax assets		**8.6**	11.5	5.7
		960.8	1,087.2	1,119.7
Total assets	4	**1,196.2**	1,325.2	1,342.6
Liabilities				
Current liabilities				
Borrowings	14	**(32.1)**	(73.9)	(79.6)
Derivative financial instruments		**(5.3)**	(12.6)	(4.8)
Trade and other payables		**(127.7)**	(133.0)	(145.7)
Current tax liabilities		**(22.3)**	(5.0)	(7.4)
		(187.4)	(224.5)	(237.5)
Non-current liabilities				
Retirement benefit obligation	15	**-**	(6.0)	-
Deferred tax liabilities		**(3.6)**	(7.3)	(10.1)
Borrowings	14	**(618.6)**	(610.4)	(598.1)
		(622.2)	(623.7)	(608.2)
Total liabilities	4	**(809.6)**	(848.2)	(845.7)
Net assets		**386.6**	477.0	496.9
Equity attributable to owners of the Company				
Called-up share capital		**23.4**	23.4	23.4
Other reserve		**(22.5)**	(22.5)	(22.5)
Foreign exchange reserve		**29.6**	46.5	60.0
Hedging reserve		**(2.2)**	2.5	(1.2)
Own shares		**(45.5)**	(48.8)	(47.6)
Capital redemption reserve		**2.3**	2.3	2.3
Retained earnings		**401.5**	473.6	482.5
Total equity		**386.6**	477.0	496.9

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

Consolidated statement of changes in equity

	Unaudited				
	Called-up share capital £m	Other reserve £m	Other reserves* £m	Retained earnings £m	Total equity £m
At 1 January 2017	23.4	(22.5)	(38.7)	467.3	429.5
Comprehensive income					
Profit after taxation for the period	-	-	-	22.4	22.4
Other comprehensive income/(expense)					
Exchange gains on foreign currency translation (note 18)	-	-	37.8	-	37.8
Net fair value gains – cash flow hedges	-	-	1.8	-	1.8
Actuarial gains on retirement benefit obligation	-	-	-	2.2	2.2
Tax charge on other comprehensive income	-	-	(0.4)	(0.4)	(0.8)
Total other comprehensive income	-	-	39.2	1.8	41.0
Total comprehensive income for the period	-	-	39.2	24.2	63.4
Transactions with owners					
Share-based payment adjustment to reserves	-	-	-	1.4	1.4
Shares granted from treasury and employee trust	-	-	2.0	(2.0)	-
Dividends paid to Company shareholders	-	-	-	(17.3)	(17.3)
At 30 June 2017	23.4	(22.5)	2.5	473.6	477.0
At 1 July 2017	23.4	(22.5)	2.5	473.6	477.0
Comprehensive income					
Profit after taxation for the period	-	-	-	14.2	14.2
Other comprehensive income/(expense)					
Exchange gains on foreign currency translation (note 18)	-	-	13.5	-	-
Net fair value losses – cash flow hedges	-	-	(4.3)	-	(4.3)
Actuarial gains on retirement benefit asset	-	-	-	8.1	8.1
Tax credit/(charge) on other comprehensive income	-	-	0.6	(1.5)	(0.9)
Total other comprehensive income	-	-	9.8	6.6	16.4
Total comprehensive income for the period	-	-	9.8	20.8	30.6
Transactions with owners					
Share-based payment adjustment to reserves	-	-	-	(0.4)	(0.4)
Shares granted from treasury and employee trust	-	-	1.2	(1.2)	-
Dividends paid to Company shareholders	-	-	-	(10.3)	(10.3)
At 31 December 2017	23.4	(22.5)	13.5	482.5	496.9

Consolidated statement of changes in equity (continued)

	Unaudited				
	Called-up share capital	Other reserve	Other reserves*	Retained earnings	Total equity
	£m	£m	£m	£m	£m
Balance at 1 January 2018 as originally presented	**23.4**	**(22.5)**	**13.5**	**482.5**	**496.9**
Change in accounting policy	-	-	-	**(105.7)**	**(105.7)**
Restated at 1 January 2018	**23.4**	**(22.5)**	**13.5**	**376.8**	**391.2**
Comprehensive income					
Profit after taxation for the period	-	-	-	**37.3**	**37.3**
Other comprehensive (expense)/income					
Exchange losses on foreign currency translation (note 18)	-	-	**(30.4)**	-	**(30.4)**
Net fair value losses – cash flow hedges	-	-	**(1.2)**	-	**(1.2)**
Actuarial gains on retirement benefit asset	-	-	-	**3.3**	**3.3**
Tax credit/(charge) on other comprehensive income	-	-	**0.2**	**(0.6)**	**(0.4)**
Total other comprehensive (expense)/income	-	-	**(31.4)**	**2.7**	**(28.7)**
Total comprehensive (expense)/income for the period	-	-	**(31.4)**	**40.0**	**8.6**
Transactions with owners					
Share-based payment adjustment to reserves	-	-	-	**4.2**	**4.2**
Shares granted from treasury and employee trust	-	-	**2.1**	**(2.1)**	-
Dividends paid to Company shareholders	-	-	-	**(17.4)**	**(17.4)**
At 30 June 2018	**23.4**	**(22.5)**	**(15.8)**	**401.5**	**386.6**

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

Consolidated cash flow statement

	Notes	**Unaudited Six months ended 30 June 2018 £m**	Unaudited Six months ended 30 June 2017 £m	Audited Year ended 31 December 2017 £m
Cash flows from operating activities				
Continuing operations				
Cash generated from operating activities	17	**93.4**	92.8	143.6
Finance costs paid		**(38.5)**	(36.3)	(54.7)
Income tax paid		**(5.4)**	(68.4)	(94.0)
Discontinued operations		**-**	(2.7)	(2.7)
Net cash generated from/(used in) in operating activities		**49.5**	(14.6)	(7.8)
Cash flows used in investing activities				
Continuing operations				
Purchases of intangible assets	10	**(9.4)**	(7.4)	(14.9)
Purchases of property, plant and equipment	11	**(2.0)**	(4.7)	(10.1)
Proceeds from sale of property, plant and equipment		**-**	-	0.7
Discontinued operations				
Disposal of subsidiary, net of cash and cash equivalents	8	**-**	3.0	3.0
Net cash used in investing activities		**(11.4)**	(9.1)	(21.3)
Net cash generated from/(used in) operating and investing activities		**38.1**	(23.7)	(29.1)
Cash flows from financing activities				
Continuing operations				
Proceeds from borrowings		**76.1**	34.7	92.5
Repayment of borrowings		**(89.7)**	(6.3)	(53.2)
Dividends paid to Company shareholders	7	**(17.4)**	(17.4)	(27.6)
Net cash (used in)/generated from financing activities		**(31.0)**	11.0	11.7
Net increase/(decrease) in cash and cash equivalents		**7.1**	(12.7)	(17.4)
Cash and cash equivalents at beginning of period		**27.4**	43.4	43.4
Exchange (losses)/gains on cash and cash equivalents		**(0.9)**	1.6	1.4
Cash and cash equivalents at end of period		**33.6**	32.3	27.4

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2018

1. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 has 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 European Union. This condensed consolidated interim financial information should be read in conjunction with the Annual Report and Financial Statements ('the Financial Statements') for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. This condensed consolidated interim financial information was approved for release on 25 July 2018.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Financial Statements for the year ended 31 December 2017 were approved by the Board on 1 March 2018 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 Board has reviewed the budget for the year to 31 December 2018 and the forecasts for the two years to 31 December 2020 which include projected profits, cash flows, borrowings and headroom against facilities. The Group's committed funding through a combination of bonds and committed bank facilities, combined with a successful track record of accessing debt funding markets, is sufficient to fund the planned growth of our existing operations and new markets for the foreseeable future. Taking these factors into account the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason the Board has adopted the going concern basis in preparing this Half-year Financial Report.

The amendments relating to the IFRS 9 'Financial Instruments' standard are mandatory for the first time for the financial year beginning 1 January 2018. Please see note 20 for further information

All other accounting policies adopted in this condensed consolidated interim financial information are consistent with those adopted in the Financial Statements for the year ended 31 December 2017 and are detailed in those Financial Statements.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2018 (continued)

1. Basis of preparation (continued)

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

- IFRS 16 ‘Leases’ (for more detail see below);
- IFRIC 22 ‘Foreign Currency Transactions and Advance Consideration’;
- Amendments to IAS 40 ‘Transfers of investment property’;
- IFRS 2 (amendment) ’Classification and Measurement of Share-based Payment Transactions’; and
- IFRIC23 ‘Uncertainty over Income Tax Treatments’.

IFRS 16 Leases

IFRS 16, which has not yet been endorsed by the EU, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Group expects to adopt IFRS 16 for the year ending 31 December 2019. No decision has been made about whether to use any of the transitional options in IFRS 16.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating leases under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments will be split into a principal and interest portion which will be presented as operating and financing cash flows respectively. Furthermore, extensive disclosures are required by IFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of £27.8 million. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, although some of them will qualify as low value or short-term leases upon the application of IFRS 16. The Group is in the process of assessing the impact of recognising a right-of-use asset and a related lease liability in the Group Financial Statements. It is not practicable to provide a reasonable estimate of the financial effect until this review has been completed.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2018 (continued)

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. Some of these measures are also used for the purpose of setting remuneration targets.

Each of the APMs used by the Group is set out on pages 43 to 45 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.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2018 (continued)

2. Principal risks and uncertainties

We operate a formal risk management process, the details of which are set out on page 37 of the Financial Statements for the year ended 31 December 2017. Details of our principal risks can be found on pages 36 to 43 of the Financial Statements and are summarised below:

- the risk that we suffer losses or fail to optimise profitable growth due to a failure to operate in compliance with, or effectively anticipate changes in, all applicable laws and regulations, or a regulator interpreting these in a different way;
- the risk that we suffer losses or fail to optimise profitable growth through not responding to the competitive environment or failing to ensure our proposition meets customer needs;
- the risk that we suffer additional taxation or financial penalties associated with failure to comply with tax legislation or adopting an interpretation of the law that cannot be sustained;
- the risk that we suffer losses or fail to optimise profitable growth due to a failure to develop and maintain effective technology solutions or manage change in an effective manner;
- the risk that our strategy is impacted by not having sufficient depth and quality of people or being unable to retain key people and treat them in accordance with our values and ethical standards;
- the risk that we suffer losses or fail to optimise profitable growth due to a failure of our systems, suppliers or processes or due to the loss, theft or corruption of information;
- the risk that we suffer financial or reputational damage due to our methods of operation, ill-informed comment or malpractice;
- the risk that we suffer financial loss as a result of a failure to identify and adapt to changing economic conditions adequately;
- the risk of personal accident to, or assault of, our agents or employees;
- the risk that we suffer financial loss if our customers fail to meet their contracted obligations; and
- the risk of insufficient availability of funding, unfavourable pricing, a breach of debt facility covenants; or that performance is significantly impacted by interest rate or currency movements, or failure of a banking counterparty.

3. Related parties

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

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2018 (continued)

4. Segment analysis

	Unaudited Six months ended 30 June 2018 £m	Unaudited Six months ended 30 June 2017 £m	Audited Year ended 31 December 2017 £m
Revenue			
European home credit	**250.1**	250.7	504.7
Mexico home credit	**103.5**	106.0	217.0
Digital	**65.3**	44.1	104.1
Revenue – continuing operations	**418.9**	400.8	825.8
Discontinued operations	**-**	3.7	3.7
Revenue	**418.9**	404.5	829.5
Impairment			
European home credit	**44.9**	63.5	91.1
Mexico home credit	**34.1**	35.8	75.6
Digital	**23.6**	18.8	42.9
Slovakia and Lithuania	**(0.1)**	(8.2)	(8.5)
Impairment – continuing operations	**102.5**	109.9	201.1
Discontinued operations	**-**	2.6	2.6
Impairment	**102.5**	112.5	203.7

The 2017 comparatives in the notes to the condensed interim financial information are based on IAS39 (the old accounting standard for revenue and impairment) and therefore differ from those used in the performance review. A reconciliation is included in note 20 of this report.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2018 (continued)

4. Segment analysis (continued)

	Unaudited Six months ended 30 June 2018 £m	Unaudited Six months ended 30 June 2017 £m	Audited Year ended 31 December 2017 £m
Profit before taxation			
European home credit	**60.2**	47.6	114.3
Mexico home credit	**7.4**	5.3	14.7
Digital	**(3.7)**	(8.2)	(11.7)
Slovakia and Lithuania	**-**	5.4	3.2
UK costs[1]	**(7.4)**	(7.1)	(14.9)
Profit before taxation – continuing operations	**56.5**	43.0	105.6
Discontinued operations	**-**	(7.2)	(2.7)
Profit before taxation	**56.5**	35.8	102.9

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

	Unaudited 30 June 2018 £m	Unaudited 30 June 2017 £m	Audited 31 December 2017 £m
Segment assets			
European home credit	**676.9**	818.5	822.3
Mexico home credit	**201.2**	244.6	220.3
Digital	**242.1**	189.0	231.9
Slovakia and Lithuania	**0.4**	1.4	0.9
UK[2]	**75.6**	71.7	67.2
Total – continuing operations	**1,196.2**	1,325.2	1,342.6
Segment liabilities			
European home credit	**259.9**	388.6	332.0
Mexico home credit	**156.1**	193.9	145.2
Digital	**185.4**	163.1	157.0
Slovakia and Lithuania	**6.9**	8.5	7.7
UK[2]	**201.3**	94.1	203.8
Total – continuing operations	**809.6**	848.2	845.7

[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.

5. Tax expense

The underlying taxation charge on profit for the first six months of 2018 has been based on an expected effective tax rate for the full year of 34% (30 June 2017: 30%).

The Group is currently subject to a tax audit with respect to Provident Polska for the years 2008-2011. Audits of 2010 and 2011 are ongoing, whilst for 2008 and 2009 decisions were received in January 2017 and have been appealed. Further details are set out on page 12. The Group is also subject to audits in Mexico (regarding 2015) and Slovakia (regarding 2014-15), all of which are still at the information gathering stage.

In late 2017 the European Commission opened a state aid investigation into the Group Financing Exemption contained in the UK controlled foreign currency rules, which was introduced in 2013. The UK authorities do not accept that the rules constitute state aid. In common with other UK-based international companies whose arrangements are in line with current controlled foreign currency rules, the Group may be affected by the outcome of this investigation. The Group is monitoring developments.

6. Earnings per share

	Unaudited Six months ended 30 June 2018 pence	Unaudited Six months ended 30 June 2017 pence	Audited Year ended 31 December 2017 pence
Basic EPS – continuing operations pre-exceptional tax	**16.7**	13.6	33.7
Dilutive effect of awards	**(0.8)**	(0.6)	(1.3)
Diluted EPS – continuing operations pre-exceptional tax	**15.9**	13.0	32.4

	Unaudited Six months ended 30 June 2018 pence	Unaudited Six months ended 30 June 2017 pence	Audited Year ended 31 December 2017 pence
Basic EPS – continuing operations	**16.7**	13.6	20.2
Dilutive effect of awards	**(0.8)**	(0.6)	(0.7)
Diluted EPS – continuing operations	**15.9**	13.0	19.5

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2018 (continued)

6. Earnings per share (continued)

	Unaudited Six months ended 30 June 2018 pence	Unaudited Six months ended 30 June 2017 pence	Audited Year ended 31 December 2017 pence
Basic EPS – including discontinued operations	**16.7**	10.1	16.5
Dilutive effect of awards	**(0.8)**	(0.4)	(0.7)
Diluted EPS – including discontinued operations	**15.9**	9.7	15.8

Basic earnings per share ('EPS') from pre-exceptional continuing operations is calculated by dividing the earnings attributable to shareholders of £37.3m (30 June 2017: £30.1m, 31 December 2017: £75.0m) by the weighted average number of shares in issue during the period of 222.8m which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (30 June 2017: 222.2m, 31 December 2017: 222.4m).

Basic earnings per share ('EPS') from continuing operations is calculated by dividing the earnings attributable to shareholders of £37.3m (30 June 2017: £30.1m, 31 December 2017: £45.0m) by the weighted average number of shares in issue during the period of 222.8m which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (30 June 2017: 222.2m, 31 December 2017: 222.4m).

Basic earnings per share ('EPS') including discontinued operations is calculated by dividing the earnings attributable to shareholders of £37.3m (30 June 2017: £22.4m, 31 December 2017: £36.6m) by the weighted average number of shares in issue during the period of 222.8m which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (30 June 2017: 222.2m, 31 December 2017: 222.4m).

For diluted EPS the weighted average number of shares has been adjusted to 234.1m (30 June 2017: 231.5m, 31 December 2017: 231.4m) to assume conversion of all dilutive potential ordinary share options relating to employees of the Group.

7. Dividends

The final dividend for 2017 of 7.8 pence per share was paid to shareholders on 11 May 2018 at a total cost to the Group of £17.4m. The directors propose an interim dividend in respect of the financial year ended 31 December 2018 of 4.6 pence per share payable to shareholders who are on the register at close of business on 7 September 2018. This will amount to a total dividend payment of £10.3m based upon the number of shares in issue and ranking for dividends as at 30 June 2018. This dividend is not reflected as a liability in the balance sheet as at 30 June 2018.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2018 (continued)

8. Discontinued operations

On 28 June 2017, we announced the completion of the sale of Group's home credit business in Bulgaria in order to focus our resources on our larger home credit and rapidly-growing digital businesses. Losses of £7.7m are included in the income statement in respect of Bulgaria for the half-year ended 30 June 2017. These costs can be analysed as follows:

	Unaudited 30 June 2018 £m	Unaudited 30 June 2017 £m	Audited 31 December 2017 £m
Revenue	**-**	3.7	3.7
Impairment	-	(2.6)	(2.6)
Revenue less impairment	-	1.1	1.1
Finance costs	-	(0.2)	(0.2)
Other operating costs	-	(0.7)	(0.7)
Administrative expenses	-	(2.9)	(2.9)
Trading losses	**-**	(2.7)	(2.7)
Write-off of assets	**-**	(4.5)	(5.2)
Loss before taxation	**-**	(7.2)	(7.9)
Taxation charge	**-**	(0.5)	(0.5)
Loss – discontinued operations	**-**	(7.7)	(8.4)

9. Goodwill

	Unaudited 30 June 2018 £m	Unaudited 30 June 2017 £m	Audited 31 December 2017 £m
Net book value at start of period	**24.4**	23.3	23.3
Exchange adjustments	**(0.5)**	0.6	1.1
Net book value at end of period	**23.9**	23.9	24.4

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2018 (continued)

10. Intangible assets

	Unaudited 30 June 2018 £m	Unaudited 30 June 2017 £m	Audited 31 December 2017 £m
Net book value at start of period	**33.1**	32.6	32.6
Additions	**9.4**	7.4	14.9
Impairment	**(0.4)**	-	(3.3)
Amortisation	**(8.0)**	(5.1)	(11.4)
Exchange adjustments	**(0.2)**	0.2	0.5
Disposal of subsidiary	**-**	(0.2)	(0.2)
Net book value at end of period	**33.9**	34.9	33.1

11. Property, plant and equipment

	Unaudited 30 June 2018 £m	Unaudited 30 June 2017 £m	Audited 31 December 2017 £m
Net book value at start of period	**23.2**	23.4	23.4
Exchange adjustments	**(0.7)**	1.3	0.9
Additions	**2.0**	4.7	10.1
Disposals	**(0.4)**	(0.1)	(0.7)
Depreciation	**(4.9)**	(4.8)	(10.3)
Disposal of subsidiary	**-**	(0.2)	(0.2)
Net book value at end of period	**19.2**	24.3	23.2

As at 30 June 2018 the Group had £3.8m of capital expenditure commitments with third parties that were not provided for (30 June 2017: £5.7m, 31 December 2017: £8.4m).

12. Non-current tax asset

Non-current tax asset includes an amount of £35.1m in respect of the tax paid to the Polish Tax Authority, see note 14 for further details.

13. Amounts receivable from customers

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 2018 £m	Unaudited 30 June 2017 £m	Audited 31 December 2017 £m
Polish zloty	**328.3**	378.9	393.3
Czech crown	**61.4**	82.1	83.3
Euro*	**152.2**	120.3	148.4
Hungarian forint	**122.6**	149.8	162.7
Romanian leu	**67.9**	87.1	93.4
Mexican peso	**144.4**	183.8	165.1
Australian dollar	**11.5**	8.2	10.7
Total receivables	**888.3**	1,010.2	1,056.9

*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 109% (30 June 2017: 101%, 31 December 2017: 99%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 9.7 months (30 June 2017: 8.5 months, 31 December 2017: 9.1 months).

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

The comparative numbers for 2017 are based on the old accounting standard for revenue and impairment (IAS39). Further details on the impact of implementing IFRS9 are included in the funding and balance sheet section of this report and in note 20.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2018 (continued)

14. Borrowings

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

	Unaudited 30 June 2018 £m	Unaudited 30 June 2017 £m	Audited 31 December 2017 £m
Repayable			
- in less than one year	**32.1**	73.9	79.6
- between one and two years	**159.6**	29.5	15.2
- between two and five years	**459.0**	580.9	582.9
	618.6	610.4	598.1
Total borrowings	**650.7**	684.3	677.7

Borrowings is stated net of deferred debt issuance costs of £2.9m (June 2017: £3.2m; December 2017 £3.3m).

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

	Unaudited 30 June 2018 £m	Unaudited 30 June 2017 £m	Audited 31 December 2017 £m
Repayable			
- on demand	**19.6**	15.1	19.9
- in less than one year	**72.8**	83.5	113.5
- between one and two years	**203.8**	49.8	68.1
- between two and five years	**568.4**	675.7	665.5
Total facilities	**864.6**	824.1	867.0

As outlined previously, the Group's home credit company in Poland, Provident Polska, has been subject to tax audits in respect of the Company's 2008 and 2009 financial years. The 2010 and 2011 financial years are currently being audited by the tax authorities in Poland, and all subsequent years up to and including 2017 remain open to future audit. Provident Polska has appealed decisions made by the Polish Tax Chamber, to the District Administrative Court, for the 2008 and 2009 financial years and has paid the amounts assessed of £35.1 million (comprising tax and associated interest) which was necessary in order to make the appeals. As noted on page 12, the 2008 and 2009 tax audit decisions are the subject of a process involving the UK tax authority aimed at ensuring that the intra-group arrangement is taxed in accordance with international tax principles and as a result the court hearings have been stayed.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2018 (continued)

14. Borrowings (continued)

In order to appeal any potential future decisions for 2010 and subsequent years, further payments may be required. There are significant uncertainties in relation to the amount and timing of such cash outflows. However, in the event that audits are opened, and similar decisions are reached for each of these subsequent financial years, further amounts of up to c. £128 million may be required to be funded (including approximately £43 million for the 2010 and 2011 years on which audits have commenced).

15. Retirement benefit asset/(obligation)

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

	Unaudited 30 June 2018 £m	Unaudited 30 June 2017 £m	Audited 31 December 2017 £m
Equities	**11.9**	23.6	11.7
Bonds	**10.1**	10.1	10.2
Index-linked gilts	**9.0**	8.3	8.5
Diversified growth funds	**11.5**	-	11.6
Other	**0.9**	1.0	0.2
Total fair value of scheme assets	**43.4**	43.0	42.2
Present value of funded defined benefit obligations	**(36.9)**	(49.0)	(40.1)
Net asset/(obligation) recognised in the balance sheet	**6.5**	(6.0)	2.1

The charge recognised in the income statement in respect of defined benefit pension costs is £nil (6 months ended 30 June 2017: £0.1m, 12 months ended 31 December 2017: £0.2m).

16. Fair values of financial assets and liabilities

IFRS 7 requires disclosure of fair value measurements of derivative financial instruments by level of the following fair value measurement hierarchy:

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

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

All of the Group's derivative financial instruments held at fair value fall into hierarchy level 2 (30 June 2017 and 31 December 2017: all of the Group's derivative financial instruments held at fair value fell into hierarchy level 2). The fair value of derivative financial instruments has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at the relevant period end.

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 2018 £m	Unaudited 30 June 2017 £m	Audited 31 December 2017 £m	**Unaudited 30 June 2018 £m**	Unaudited 30 June 2017 £m	Audited 31 December 2017 £m
Financial assets						
Amounts receivable from customers	**888.3**	1,010.2	1,056.9	**1,263.3**	1,405.0	1,433.0
	888.3	1,010.2	1,056.9	**1,263.3**	1,405.0	1,433.0
Financial Liabilities						
Bonds	**581.2**	580.1	590.0	**553.5**	528.3	567.8
Bank borrowings	**69.5**	104.2	87.7	**69.5**	104.2	87.7
	650.7	684.3	677.7	**623.0**	632.5	655.5

The fair value of amounts receivable from customers has been derived by discounting expected future cash flows (as used to calculate the carrying value of amounts due from customers), net of agent collection costs, at the Group's weighted average cost of capital.

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

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

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2018 (continued)

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

	Unaudited Six months ended 30 June 2018 £m	Unaudited Six months ended 30 June 2017 £m	Audited Year ended 31 December 2017 £m
Profit after taxation from continuing operations	**37.3**	30.1	45.0
Adjusted for			
Tax charge	**19.2**	12.9	60.6
Finance costs	**28.0**	27.1	55.2
Share-based payment charge/(credit)	**2.2**	1.4	(0.2)
Amortisation of intangible assets (note 10)	**8.0**	5.1	11.4
Loss on disposal of property, plant and equipment	**0.4**	0.1	-
Impairment of intangible assets (note 10)	**0.4**	-	3.3
Depreciation of property, plant and equipment (note 11)	**4.9**	4.8	10.3
Changes in operating assets and liabilities			
Amounts receivable from customers	**(0.4)**	(16.7)	(65.9)
Other receivables	**(7.6)**	(5.2)	2.0
Trade and other payables	**(1.7)**	12.0	20.2
Retirement benefit asset	**(1.1)**	(0.9)	(0.9)
Derivative financial instruments	**3.8**	22.1	2.6
Cash generated from continuing operating activities	**93.4**	92.8	143.6

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2018 (continued)

18. 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 2018	**Closing June 2018**	Average H1 2017	Closing June 2017	Average Year 2017	Closing December 2017
Polish zloty	**4.8**	**4.9**	4.9	4.8	4.8	4.7
Czech crown	**29.0**	**29.3**	31.0	29.8	30.3	28.4
Euro	**1.1**	**1.1**	1.2	1.1	1.1	1.1
Hungarian forint	**356.5**	**368.3**	358.8	350.8	351.4	346.9
Romanian leu	**5.3**	**5.3**	5.3	5.2	5.2	5.2
Mexican peso	**26.6**	**27.3**	24.1	22.9	24.5	26.3
Australian dollar	**1.8**	**1.8**	1.7	1.7	1.7	1.7

The £30.4m exchange loss 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 2017 and June 2018 shown in the table above.

19. Contingent Liability Note

The Group's home credit company in Poland, Provident Polska, has been subject to tax audits in respect of the company's 2008 and 2009 financial years. During these audits the Polish tax authorities have challenged an intra-group arrangement with a UK entity, and the timing of the taxation of home collection fee revenues.

These audits culminated with decisions being received from the Polish Tax Chamber (the upper tier of the Polish tax authority) in January 2017. Provident Polska appealed these decisions to the District Administrative Court, but had to pay the amounts assessed totalling £35.1 million (comprising tax and associated interest) which was necessary in order to make the appeals. The Company strongly disagrees with the interpretation of the tax authority having received legal opinions from leading advisors as to the strength of our case. As noted on page 12, the 2008 and 2009 tax audit decisions are the subject of a process involving the UK tax authority aimed at ensuring that the intra-group arrangement is taxed in accordance with international tax principles and as a result the court hearings have been stayed.

The directors have received strong external legal advice, and note that during a previous tax audit by the same tax authority, the Company's treatment of these matters was accepted as correct.

Therefore the payments of the sums outlined above are not a reflection of the directors' view on the merits of the case, and accordingly the payments made in January 2017 have been recognised as a non-current financial asset in these Financial Statements given the uncertainties in relation to the timing of any repayment of such amounts.

19. Contingent Liability Note (continued)

The 2010 and 2011 financial years are currently being audited by the tax authorities in Poland. In the event that the Polish tax authorities were to issue decisions following the same reasoning as for 2008 and 2009 around a further £43 million would become payable. In this eventuality we would seek to include these years also in the existing process with the UK and Polish tax authorities.

In addition, all subsequent years remain open to future audit, meaning that there are further significant uncertainties in relation to the amount and timing of potential additional future payments in relation to these periods. In the event that audits are opened in respect of some or all of these open periods, and similar decisions are reached, further amounts may be required to be paid, the timing of which would be dependent upon the timing of decisions made by the Polish tax authorities for these later periods. Further details on this are set out in note 14.

20. Changes in Accounting Policies – IFRS 9 'Financial Instruments'

This note explains the impact of the adoption of IFRS 9 Financial Instruments on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

Classification and measurement
With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income (FVTOCI) and (iii) fair value through profit or loss (FVTPL). Equity instruments in the scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income.

There is no impact on the classification and measurement of the following financial assets held by the Group: derivative financial instruments; cash and cash equivalents; other receivables and current tax assets.

There is no change in the accounting for any financial liabilities.

Hedge accounting
On initial application of IFRS 9, an entity may choose, as its accounting policy, to continue to apply the hedge accounting requirements of IAS 39 instead of the hedge accounting requirements of IFRS 9. The Group has elected to apply the IAS 39 hedge accounting requirements.

Impact on the financial statements
IFRS 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following table shows the adjustments recognised for each individual line item. The adjustments are explained in more detail below.

20. Changes in Accounting Policies (continued)

	Audited 1 January 2018 £m	IFRS 9 impact 1 January 2018 £m	Restated 1 January 2018 £m
Assets			
Non-current assets			
Goodwill	24.4	-	24.4
Intangible assets	33.1	-	33.1
Property, plant and equipment	23.2	-	23.2
Deferred tax assets	103.1	24.8	127.9
Non-current tax asset	37.0	-	37.0
Retirement benefit asset	2.1	-	2.1
	222.9	24.8	247.7
Current assets			
Amounts receivable from customers			
- due within one year	866.9	(107.0)	759.9
- due in more than one year	190.0	(23.5)	166.5
	1,056.9	(130.5)	926.4
Derivative financial instruments	10.4	-	10.4
Cash and cash equivalents	27.4	-	27.4
Other receivables	19.3	-	19.3
Current tax assets	5.7	-	5.7
	1,119.7	(130.5)	989.2
Total assets	1,342.6	(105.7)	1,236.9
Liabilities			
Current liabilities			
Borrowings	(79.6)	-	(79.6)
Derivative financial instruments	(4.8)	-	(4.8)
Trade and other payables	(145.7)	-	(145.7)
Current tax liabilities	(7.4)	-	(7.4)
	(237.5)	-	(237.5)
Non-current liabilities			
Deferred tax liabilities	(10.1)	-	(10.1)
Borrowings	(598.1)	-	(598.1)
	(608.2)	-	(608.2)
Total liabilities	(845.7)	-	(845.7)
Net assets	496.9	(105.7)	391.2
Equity attributable to owners of the Company			
Called-up share capital	23.4	-	23.4
Other reserve	(22.5)	-	(22.5)
Foreign exchange reserve	60.0	-	60.0
Hedging reserve	(1.2)	-	(1.2)
Own shares	(47.6)	-	(47.6)
Capital redemption reserve	2.3	-	2.3
Retained earnings	482.5	(105.7)	376.8
Total equity	496.9	(105.7)	391.2

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2018 (continued)

20. Changes in Accounting Policies (continued)

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out within this note. In accordance with the transitional provisions of IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	1 January 2018 £m
Closing retained earnings 31 December – IAS 39	482.5
Increase in impairment provisions for amounts receivable from customers	(130.5)
Increase in deferred tax asset relating to impairment provisions	24.8
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018	(105.7)
Opening retained earnings 1 January – IFRS 9	**376.8**

Impairment

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date. The new impairment model will apply to the Group's financial assets that are measured at amortised cost, namely amounts receivable from customers.

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.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2018 (continued)

20. Changes in Accounting Policies (continued)

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.

Forward-looking information

Under IFRS 9 macroeconomic overlays are required to include forward-looking information when calculating expected credit losses. The short-term nature of our lending means that the portfolio turns over quickly, and as a result, any changes in the macroeconomic environment will have very little impact on our amounts receivable from customers.

Where extreme macroeconomic scenarios are experienced, we will use management judgement to identify, quantify and apply any required approach.

Modelling techniques

We have calculated PD, EAD, LGD and cash flow projections based on the most recent collections performance, including management overlays where we deem that historic performance is not representative of future collections performance.

In some markets, the most recent impairment parameters are not considered to be representative of expected future performance due to changes in operational performance. Therefore an overlay has been applied to increase certain parameters at both 1 January 2018 and 30 June 2018.

Under IFRS 9, the breakdown of receivables by stage is as follows:

	Unaudited 30 June 2018 £m	Unaudited 1 January 2018 £m
Amounts receivable from customers		
Stage 1	**605.6**	627.5
Stage 2	**101.5**	101.5
Stage 3	**181.2**	197.4
Amounts receivable from customers	**888.3**	926.4

Alternative performance measures

This 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 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			
IFRS 9 2017 comparative	IAS 39 2017 comparative	Not applicable	The performance reporting in this report compares the 2018 actual half-year performance against the 2017 numbers adjusted for IFRS 9 because the Board believes that this provides the most relevant comparison of performance trends. A full reconciliation of the 2017 profit and loss account between the reported numbers and the IFRS 9 numbers is set out on pages 46 and 47.
Credit issued growth (%)	None	Not applicable	Credit issued is the principal value of loans advanced to customers and is an important measure of the level of lending in the business. Credit issued growth is the period-on-period change in this metric which is calculated by retranslating the previous half-year's credit issued 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.
Average net receivables (£m)*	None	Not applicable	Average net receivables are the average amounts receivable from customers translated at the average monthly actual exchange rate. This measure is presented to illustrate the change in amounts receivable from customers on a consistent basis with revenue growth.
Profit before tax from ongoing operations*	Profit before tax from continuing operations	Not applicable	Profit before tax from ongoing operations incorporates profits from European home credit, Mexico home credit, IPF Digital and Central Costs. Profit before tax from ongoing operations plus profit before tax from Slovakia and Lithuania equals profit before tax from continuing operations.

*The 2017 comparative APM has been restated in the performance review as if IFRS9 had been implemented in that year because the Board believes that this provides the most relevant comparison of performance trends.

Alternative performance measures (continued)

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Average net receivables growth at constant exchange rates (%)*	None	Not applicable	Average net receivables growth is the period-on-period change in average net receivables which is calculated by retranslating the previous half-year's average net receivables 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 net receivables and is an indicator of the gross return being generated from average net receivables.
Impairment as a percentage of revenue (%)*	None	Not applicable	Impairment as a percentage of revenue is reported impairment divided by reported revenue and represents a measure of credit quality that is used across the business. This measure is reported on a rolling annual basis (annualised).
Cost-income ratio (%)*	None	Not applicable	The cost-income ratio is other costs divided by reported revenue. Other costs represent all operating costs with the exception of amounts paid to agents as collecting commission. This measure is reported on a rolling annual basis (annualised). This is useful for comparing performance across markets.
Pre-exceptional profit before tax (£m)*	Profit before tax	Exceptional items	Profit before tax and exceptional items. This is considered to be an important measure where exceptional items distort the operating performance of the business.
Effective tax rate before exceptional items (%)	Effective tax rate	Exceptional items and their tax impact	Total tax expense for the Group excluding exceptional tax items divided by profit before tax and exceptional items. This measure is an indicator of the ongoing tax rate for the Group.

*The 2017 comparative APM has been restated in the performance review as if IFRS9 had been implemented in that year because the Board believes that this provides the most relevant comparison of performance trends.

Alternative performance measures (continued)

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Pre-exceptional earnings per share (pence)	Earnings per share	Items identified as exceptional items	Earnings per share before the impact of exceptional items. This is considered to be an important measure where exceptional items distort the operating performance of the business.
Like-for-like profit growth or contraction (£m)*	None	Not applicable	The period-on-period change in profit adjusted for the impact of exchange rates and, where appropriate, investment in new business development opportunities. The impact of exchange rates is calculated by retranslating the previous period's profit at the current year's average exchange rate. This measure is presented as a means of reporting like-for-like profit movements.
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.
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.

*The 2017 comparative APM has been restated in the performance review as if IFRS9 had been implemented in that year because the Board believes that this provides the most relevant comparison of performance trends.

Reconciliation of 2017 reported numbers under IAS39 restated under IFRS 9

The performance reporting in this report compares the 2018 actual half-year performance against the 2017 numbers adjusted for IFRS 9 because the Board believes that this provides the most relevant comparison of performance trends. A full reconciliation of the 2017 profit and loss account between the reported numbers and the IFRS 9 numbers is set out below:

European home credit

	H1 2017 IAS39 £m	IFRS 9 Impact £m	H1 2017 IFRS 9 £m
Average net receivables	645.0	(80.0)	565.0
Revenue	250.7	8.2	258.9
Impairment	(63.5)	-	(63.5)
Net revenue	187.2	8.2	195.4
Finance costs	(17.8)	-	(17.8)
Agents' commission	(28.1)	-	(28.1)
Other costs	(93.7)	-	(93.7)
Profit before tax	47.6	8.2	55.8

Mexico home credit

	H1 2017 IAS39 £m	IFRS 9 Impact £m	H1 2017 IFRS 9 £m
Average net receivables	168.9	(21.4)	147.5
Revenue	106.0	0.3	106.3
Impairment	(35.8)	0.1	(35.7)
Net revenue	70.2	0.4	70.6
Finance costs	(5.9)	-	(5.9)
Agents' commission	(14.1)	-	(14.1)
Other costs	(44.9)	-	(44.9)
Profit before tax	5.3	0.4	5.7

Reconciliation of 2017 reported numbers under IAS39 restated under IFRS 9 (continued)

IPF Digital

	H1 2017 IAS39 £m	IFRS 9 Impact £m	H1 2017 IFRS 9 £m
Average net receivables	138.6	(9.9)	128.7
Revenue	44.1	-	44.1
Impairment	(18.8)	(2.3)	(21.1)
Net revenue	25.3	(2.3)	23.0
Finance costs	(3.4)	-	(3.4)
Other costs	(30.1)	-	(30.1)
Loss before tax	(8.2)	(2.3)	(10.5)

IPF Digital – Established markets

	H1 2017 IAS39 £m	IFRS 9 Impact £m	H1 2017 IFRS 9 £m
Average net receivables	97.8	(4.0)	93.8
Revenue	27.9	-	27.9
Impairment	(5.5)	0.5	(5.0)
Net revenue	22.4	0.5	22.9
Finance costs	(2.4)	-	(2.4)
Other costs	(12.0)	-	(12.0)
Profit before tax	8.0	0.5	8.5

IPF Digital - New markets

	H1 2017 IAS39 £m	IFRS 9 Impact £m	H1 2017 IFRS 9 £m
Average net receivables	40.8	(5.9)	34.9
Revenue	16.2	-	16.2
Impairment	(13.3)	(2.8)	(16.1)
Net revenue	2.9	(2.8)	0.1
Finance costs	(1.0)	-	(1.0)
Other costs	(13.9)	-	(13.9)
Loss before tax	(12.0)	(2.8)	(14.8)

Constant exchange rate reconciliations

The period-on-period change in IFRS 9 profit and loss accounts is calculated by retranslating the 2017 half-year's IFRS 9 profit and loss account at the average actual exchange rates used in the current year.

H1 2018

£m	European home credit	Mexico home credit	IPF Digital	Lithuania & Slovakia	Central costs	Group
Customers	**1,132.0**	**865.0**	**250.0**	**-**	**-**	**2,247.0**
Credit issued	**367.7**	**129.1**	**135.4**	**-**	**-**	**632.2**
Average net receivables	**568.9**	**144.1**	**189.6**	**-**	**-**	**902.6**
Revenue	**250.1**	**103.5**	**65.3**	**-**	**-**	**418.9**
Impairment	**(44.9)**	**(34.1)**	**(23.6)**	**0.1**	**-**	**(102.5)**
Net revenue	**205.2**	**69.4**	**41.7**	**0.1**	**-**	**316.4**
Finance costs	**(18.0)**	**(5.0)**	**(5.0)**	**-**	**-**	**(28.0)**
Agents' commission	**(27.2)**	**(13.5)**	**-**	**-**	**-**	**(40.7)**
Other costs	**(99.8)**	**(43.5)**	**(40.4)**	**(0.1)**	**(7.4)**	**(191.2)**
Profit/(loss) before tax	**60.2**	**7.4**	**(3.7)**	**-**	**(7.4)**	**56.5**

H1 2017 performance, restated for IFRS 9, at average H1 2017 foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Lithuania & Slovakia	Central costs	Group
Customers	1,333.0	841.0	221.0	1.2	-	2,396.2
Credit issued	378.8	131.2	106.0	-	-	616.0
Average net receivables	565.0	147.5	128.7	-	-	841.2
Revenue	258.9	106.3	44.1	-	-	409.3
Impairment	(63.5)	(35.7)	(21.1)	8.2	-	(112.1)
Net revenue	195.4	70.6	23.0	8.2	-	297.2
Finance costs	(17.8)	(5.9)	(3.4)	-	-	(27.1)
Agents' commission	(28.1)	(14.1)	-	(0.4)	-	(42.6)
Other costs	(93.7)	(44.9)	(30.1)	(2.4)	(7.1)	(178.2)
Profit/(loss) before tax	55.8	5.7	(10.5)	5.4	(7.1)	49.3

Foreign exchange movements

£m	European home credit	Mexico home credit	IPF Digital	Lithuania & Slovakia	Central costs	Group
Credit issued	10.4	(10.0)	2.0	-	-	2.4
Average net receivables	17.5	(10.4)	2.6	-	-	9.7
Revenue	6.8	(8.1)	0.8	-	-	(0.5)
Impairment	(1.0)	2.8	(0.6)	(0.5)	-	0.7
Net revenue	5.8	(5.3)	0.2	(0.5)	-	0.2
Finance costs	(0.5)	0.4	-	(0.3)	-	(0.4)
Agents' commission	(0.8)	1.0	-	0.1	-	0.3
Other costs	(2.7)	3.0	(0.3)	0.9	-	0.9
Profit/(loss) before tax	1.8	(0.9)	(0.1)	0.2	-	1.0

Constant exchange rate reconciliations (continued)

H1 2017 performance, restated for IFRS 9, at average H1 2018 foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Lithuania & Slovakia	Central costs	Group
Credit issued	389.2	121.2	108.0	-	-	618.4
Average net receivables	582.5	137.1	131.3	-	-	850.9
Revenue	265.7	98.2	44.9	-	-	408.8
Impairment	(64.5)	(32.9)	(21.7)	7.7	-	(111.4)
Net revenue	201.2	65.3	23.2	7.7	-	297.4
Finance costs	(18.3)	(5.5)	(3.4)	(0.3)	-	(27.5)
Agents' commission	(28.9)	(13.1)	-	(0.3)	-	(42.3)
Other costs	(96.4)	(41.9)	(30.4)	(1.5)	(7.1)	(177.3)

Year-on-year movement at constant exchange rates

%	European home credit	Mexico home credit	IPF Digital	Lithuania & Slovakia	Central costs	Group
Credit issued	(5.5%)	6.5%	25.4%	(100.0%)	-	(6.2%)
Average net receivables	(2.3%)	5.1%	44.4%	-	-	2.2%
Revenue	(5.9%)	5.4%	45.4%	-	-	6.1%
Impairment	(30.4%)	3.6%	8.8%	-	-	2.5%
Net revenue	2.0%	6.3%	79.7%	(98.7%)	-	(8.0%)
Finance costs	(1.6%)	(9.1%)	47.1%	(98.7%)	-	6.4%
Agents' commission	(5.9%)	3.1%	-	(100.0%)	-	1.8%
Other costs	3.5%	3.8%	32.9%	(100.0%)	-	(3.7%)

Responsibility statement

The following statement is given by each of the directors: namely; Dan O’Connor, Chairman; Gerard Ryan, Chief Executive Officer; Justin Lockwood, Chief Financial Officer; Tony Hales, senior independent non-executive director; John Mangelaars, non-executive director; Richard Moat, non-executive director and Cathryn Riley, non-executive director.

The directors confirm that to the best of their knowledge:

- the condensed consolidated interim financial information has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union;
- 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).

The directors are responsible for the maintenance and integrity of the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent review report to the members of International Personal Finance plc

We have been engaged by the company to review the condensed consolidated interim financial information in the half-year Financial Report for the six months ended 30 June 2018 which comprises the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 20. We have read the other information contained in the half-year Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial information.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. 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.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial information included in this half-year Financial Report has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting,” as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial information in the half-year Financial Report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board 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 Ireland) 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.

Independent review report to the members of International Personal Finance plc (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information in the half-year Financial Report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
25 July 2018