Half-year Financial Report
for the six months ended 30 June 2019

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Notes

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 H1 2019 in order to present the like-for-like performance variance.

International Personal Finance plc
Half-year Financial Report for the six months ended 30 June 2019
This announcement contains inside information
International Personal Finance plc specialises in providing unsecured consumer credit to 2.2 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 financial performance, in line with expectations**
  - Credit issued growth of 7% led by IPF Digital
  - Good credit quality – annualised impairment to revenue ratio of 27.7%
  - Group profit before tax of £56.1 million, in line with H1 2018

- **European home credit – strong operational execution and financial performance**
  - Credit issued increased 2%
  - Excellent portfolio quality and improved collections – annualised impairment to revenue ratio of 15.7%
  - Delivered £60.2 million profit before tax, in line with H1 2018
  - Draft government proposal modified to significantly tighten existing total cost of credit cap in Poland

- **Mexico home credit – challenging first half performance**
  - Challenging macroeconomic landscape and weaker than expected collections
  - Actions taken to improve portfolio quality and operations resulted in marginally reduced credit issued
  - Profit before tax reduced to £3.5 million

- **IPF Digital – on track to deliver maiden profit in 2019**
  - Credit issued growth of 28% driven by new markets
  - Established markets delivered improved profit
  - Increased scale brought business close to breakeven; loss before tax £0.4 million

- **Strong funding position and robust balance sheet; dividend maintained**
  - Continued progress in extending term of debt facilities: £294 million matures after Eurobond Q2 2021
  - £192 million of headroom on debt facilities
  - Equity to receivables of 44.9%
  - Proposed interim dividend 4.6 pence per share (H1 2018: 4.6p)

Group key statistics	H1 2018	**H1 2019**	YOY change at CER
Customers (000s)	2,247	**2,197**	(2%)
Credit issued (£m)	632.2	**672.3**	7%
Revenue (£m)	418.9	**446.9**	7%
Annualised impairment % revenue	25.5%	**27.7%**	(2.2ppt)
Annualised cost-income ratio	45.7%	**43.9%**	1.8ppt
Statutory PBT (£m)	56.5	**56.1**	
Statutory EPS (pence)	16.7	**14.8**	

Chief Executive Officer, Gerard Ryan, commented:
"We delivered a good financial performance in the first half of the year with credit issued growth of 7% and profit before tax of £56.1 million. Operational execution by our teams in European home credit was excellent, delivering a strong performance. Clearly we were very disappointed by the changes to draft proposals to reduce non-interest charges in Poland, which we are monitoring closely and working on potential responses should they be enacted. We are clear on the need to improve performance in Mexico, and as previously announced, have changed the leadership and focused on execution to allow us to benefit from the significant growth opportunities that this market continues to present. IPF Digital continued to deliver strong growth and is on course to deliver its maiden profit this year. We expect to deliver a full-year result for the Group in line with market consensus, with a stronger than originally expected performance in European home credit being offset by a weaker outturn in Mexico."

Strategy update
We provide small sum, unsecured personal loans to customers who are either underbanked or underserved by mainstream operators. Our strategy is to provide consumers in this segment with a greater choice of channels, products and price points, and to make their journey with us as frictionless as possible. We segment our operations into 'growth' and 'returns' focused businesses; optimising the returns of our European home credit operations to invest in our growth businesses, Mexico home credit and IPF Digital, and deliver returns to our shareholders. We continue to improve our service and effectiveness by investing in technology and our people in both the home credit and digital businesses.

Our European home credit business is becoming more efficient and technologically enabled, the loan portfolio quality remains excellent and another period of strong operational execution supported the delivery of a good financial performance and like-for-like profit growth of £1.8 million. Our investment in growing IPF Digital by providing a superior customer experience through innovation has continued to deliver good top-line growth in the first half of the year and, as planned, is on track to deliver its maiden profit in 2019. We continued to invest in expanding our home credit business in Mexico and, while more challenging macroeconomic conditions and weaker collections impacted performance, this business continues to offer significant growth prospects.

Market overview
Good levels of demand for consumer credit in all our markets are expected to continue. Macroeconomic conditions in all our European markets in the first half of 2019 were stable and strong, and current indicators suggest these markets will deliver positive GDP growth, low unemployment and moderately increasing inflation in 2019 and 2020. In contrast, GDP growth in Mexico contracted in Q1 2019 compared to Q4 2018, and while growth for 2019 and 2020 is expected to be positive, rates have softened compared to earlier forecasts.

In all our markets, we continue to see a growing number of consumers wanting to access finance, although it is clear that a very significant proportion of our target market do not have the credit quality required to be served remotely by mainstream lenders. Competition for the best quality customers in our demographic is intense and our IPF Digital brands and Provident-branded digital offers are targeted directly at consumers in this segment who have the credit profile to qualify for a remote loan.

Based on our experience across several markets, we see home credit co-existing very comfortably with digital credit offerings as the combination of the two can serve the vast majority of the customers in our segments. In particular, our home credit model, with the involvement of an agent at the customer's home, allows us to gain a unique and in-depth understanding of a customer's financial circumstances and propensity to repay. As a result, we can lend with more confidence to creditworthy customers where a remote lending business cannot.

Group performance overview

We delivered a good financial performance in the first half of 2019 reporting profit before tax of £56.1 million. This reflects an increase in like-for-like profit before tax of £4.8 million, with an improved financial performance delivered by European home credit and IPF Digital partially offset by lower profit in Mexico home credit. We continued to make incremental investments in new business opportunities totalling £4.1 million and weaker FX rates impacted the overall result by £1.1 million.

The table below details the performance of each of our business segments, highlighting the components of the year-on-year profit movement.

	H1 2018 profit £m	Like-for-like profit movement £m	New business investment movement £m	Stronger / weaker FX rates £m	**H1 2019 profit** **£m**
European home credit	60.2	1.8	-	(1.8)	**60.2**
Mexico home credit	7.4	(3.3)	(1.4)	0.8	**3.5**
IPF Digital	(3.7)	6.1	(2.7)	(0.1)	**(0.4)**
Central costs	(7.4)	0.2	-	-	**(7.2)**
Profit before taxation	56.5	4.8	(4.1)	(1.1)	**56.1**

We delivered a 7% increase in credit issued driven primarily by strong growth in IPF Digital's new markets where we saw continued demand from consumers for digital loans. This resulted in average net receivables growth of 8% alongside a 7% increase in revenue. At Group level, credit quality continues to be good and annualised impairment as a percentage of revenue at 27.7% (December 2018: 26.2%) is in the middle of our target range of 25% to 30%. The cost-income ratio improved by 1.0ppt to 43.9% since the 2018 year-end, reflecting further improved operating leverage in both IPF Digital and Mexico home credit.

Business division performance review

European home credit

We made further good operational progress against our strategic plan to improve the sustainability of these businesses by creating more modern, efficient and better credit quality operations. Strong operational execution has resulted in a good financial performance in the first half of the year, which exceeded our original expectations. The European home credit businesses delivered profit before tax of £60.2 million, which is in line with the 2018 half year result, and reflects an increase in like-for-like profit of £1.8 million offset by an adverse impact of the same quantum from weaker FX rates.

	H1 2018 £m	**H1 2019 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	1,132	**1,032**	(100)	(8.8)	
Credit issued	367.7	**364.6**	(3.1)	(0.8)	1.6
Average net receivables	568.9	**549.8**	(19.1)	(3.4)	(0.9)
Revenue	250.1	**229.1**	(21.0)	(8.4)	(6.1)
Impairment	(44.9)	**(30.5)**	14.4	32.1	30.4
Net revenue	205.2	**198.6**	(6.6)	(3.2)	(0.8)
Finance costs	(18.0)	**(18.5)**	(0.5)	(2.8)	(5.7)
Agents’ commission	(27.2)	**(25.6)**	1.6	5.9	3.8
Other costs	(99.8)	**(94.3)**	5.5	5.5	3.5
Profit before taxation	60.2	**60.2**	-	-	

Campaigns implemented during the past 12 months to improve both customer acquisition and retention have been successful in slowing the rate of customer contraction by 6ppts year-on-year to 9%. Credit issued grew by 2% reflecting our strategy of issuing slightly longer-term loans to our better-quality customers. The shift in portfolio mix towards longer-term products and increased promotional activity resulted in a compression in revenue yield which, together with a modest contraction in average net receivables, resulted in a 6% reduction in revenue.

Credit quality remains very strong driven by a good agent collections performance and our focus on serving higher quality customers. These factors resulted in a 2.2ppt improvement in annualised impairment as a percentage of revenue since the 2018 year-end to 15.7%.

A core element of our European home credit businesses is to invest in technology to improve efficiency and our customer journey. E-receipting functionality within our agent mobile technology is now being used by more than 10,000 agents and field managers in Europe, eliminating more paper from our collections process, delivering environmental and cost benefits. We are also responding to growing consumer demand for online credit with our Provident-branded digital loans in Poland where we are now serving around 27,000 customers through this channel. Costs continue to be very well controlled and, notwithstanding our investment in new technology and product innovation, we delivered a 4% reduction in other costs year-on-year. The contraction in revenue yield resulted in a 0.7ppt increase in the cost-income ratio since the 2018 year-end to 41.6%.

Notwithstanding the final outcome of proposals in Poland to tighten the existing total cost of credit cap (as detailed in the Regulation section of this statement), we will continue to operate our European home credit businesses in line with our strategy to enhance their sustainability, deliver a high-quality service to our customers and optimise returns. We are building further enhancements for our agent mobile technology and will roll out a new sales application in the coming months. Following the good start to 2019, we now expect the solid credit issued performance, continued portfolio quality and prudent cost control in European home credit to deliver a profit for the full year that is higher than our original expectations.

Mexico home credit

Mexico home credit is one of our two strategic investment areas to drive growth for the Group in the medium term through expanding our geographic footprint, building our micro-business channel and improving profitability in our established branches.

As reported at the time of our 2018 full-year results, the softening of the macroeconomic environment in Mexico led us to take a more cautious stance on growth for 2019. In addition, agent collections were below our expectations and overall portfolio quality suffered as a result. We have decided, therefore, to prioritise credit quality over growth until such a time as we are satisfied that annualised impairment as a percentage of revenue (40.9% at June 2019) has moved back to a more acceptable level. In order to accelerate this change, we have appointed a new country manager for Mexico who previously led our Northern European business and has extensive international home credit experience. We have also introduced more cautious credit settings in order to improve the quality of the receivables portfolio and implemented a series of operational actions designed to improve collections performance including revised territory management, rebalanced incentivisation and tighter operational controls. While these changes support the medium and long-term success of the business, the immediate impact has been a reduction in profit before tax to £3.5 million.

Our actions also led to a reduction of 6% in customer numbers to 861,000 since the year end and a 1% reduction in credit issued year on year. Notwithstanding this, average net receivables increased by 10% due to credit issued growth in the latter half of 2018 and this drove 15% growth in revenue year on year.

	H1 2018 £m	**H1 2019 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	865	**861**	(4)	(0.5)	
Credit issued	129.1	**136.4**	7.3	5.7	(0.7)
Average net receivables	144.1	**167.8**	23.7	16.4	9.6
Revenue	103.5	**126.6**	23.1	22.3	15.0
Impairment	(34.1)	**(53.1)**	(19.0)	(55.7)	(46.7)
Net revenue	69.4	**73.5**	4.1	5.9	(0.5)
Finance costs	(5.0)	**(6.0)**	(1.0)	(20.0)	(13.2)
Agents' commission	(13.5)	**(15.4)**	(1.9)	(14.1)	(7.7)
Other costs	(43.5)	**(48.6)**	(5.1)	(11.7)	(5.4)
Profit before taxation	7.4	**3.5**	(3.9)	(52.7)	
Established branches	10.0	**7.7**	(2.3)	(23.0)	
Expansion and micro-business	(2.6)	**(4.2)**	(1.6)	(61.5)	
Profit before taxation	7.4	**3.5**	(3.9)	(52.7)	

In line with our long-term growth strategy, we invested an additional £1.4 million (at CER) in our micro-business lending channel and expanded our geographic footprint with the opening of five branches in H1. This investment, together with restructuring expenses in respect of branch consolidation in Mexico City, resulted in other costs increasing by 5% year-on-year. Costs in the established branches were flat year-on-year. The cost-income ratio improved by 1.6ppts to 37.1% since the 2018 year-end demonstrating the benefit of operational leverage and good cost control.

Our Mexico management team, under our new country manager, is focused on improving consistency of execution to improve underwriting discipline and collections. As a result of the operational changes we have made and the softer macroeconomic environment in Mexico, we now expect that for the year as a whole we will see a modest contraction in credit issued and elevated levels of impairment, while profit for the year will be lower than our original expectations. The resultant credit portfolio will be of a higher quality and this will allow us to benefit from the significant growth opportunities that Mexico continues to present.

IPF Digital

IPF Digital represents a significant growth opportunity for the Group and made good operational and financial progress in the first half of the year. The business grew strongly on the back of good customer demand in our target segment and we continue to deliver against our strategy to provide a great customer experience through innovation, build scale and demonstrate our ability to deliver a return.

The benefits of building scale in our new markets and further improved profit delivered by our established markets resulted in a £3.3 million reduction in start-up losses before tax to £0.4 million. The business is now close to breakeven and we remain on track to deliver a maiden profit in 2019 for the division as a whole.

	H1 2018 £m	**H1 2019 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	250	**304**	54	21.6	
Credit issued	135.4	**171.3**	35.9	26.5	27.8
Average net receivables	189.6	**253.3**	63.7	33.6	34.9
Revenue	65.3	**91.2**	25.9	39.7	41.2
Impairment	(23.6)	**(40.2)**	(16.6)	(70.3)	(71.1)
Net revenue	41.7	**51.0**	9.3	22.3	24.1
Finance costs	(5.0)	**(7.1)**	(2.1)	(42.0)	(44.9)
Other costs	(40.4)	**(44.3)**	(3.9)	(9.7)	(10.8)
Loss before taxation	(3.7)	**(0.4)**	3.3	89.2	

IPF Digital delivered another good top-line performance with credit issued growth of 28% to £171.3 million. This performance was driven by the continued strong growth in our new markets and the effective marketing of our digital offering to the growing number of consumers choosing to borrow online. Average net receivables increased by 35%, which resulted in 41% revenue growth.

Annualised impairment as a percentage of revenue was 41.7% compared to 37.8% at the 2018 year-end, reflecting a reduction in the established markets, and an increase in the new markets where we serve a larger proportion of new customers who have a higher risk profile and our credit score cards are less well developed. In addition, increased scale and investment in technology has enabled us to better leverage our infrastructure and improve cost efficiency, delivering a 6.4ppt improvement in the cost-income ratio since the 2018 year end to 51.5%.

The profitability of IPF Digital is segmented as follows:

	H1 2018 £m	**H1 2019** **£m**	Change £m	Change %
Established markets	10.5	**16.5**	6.0	57.1
New markets	(8.3)	**(9.2)**	(0.9)	(10.8)
Head office costs	(5.9)	**(7.7)**	(1.8)	(30.5)
IPF Digital	(3.7)	**(0.4)**	3.3	89.2

<u>Established markets</u>

	H1 2018 £m	**H1 2019** **£m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	151	**151**	-	-	
Credit issued	78.3	**80.9**	2.6	3.3	4.0
Average net receivables	126.6	**134.6**	8.0	6.3	7.0
Revenue	37.4	**40.9**	3.5	9.4	10.2
Impairment	(8.1)	**(7.4)**	0.7	8.6	8.6
Net revenue	29.3	**33.5**	4.2	14.3	15.5
Finance costs	(3.1)	**(3.5)**	(0.4)	(12.9)	(12.9)
Other costs	(15.7)	**(13.5)**	2.2	14.0	12.9
Profit before taxation	10.5	**16.5**	6.0	57.1	

Our established markets delivered a £6.0 million improvement in profit before tax to £16.5 million driven by the benefits of scale and improved loan portfolio quality, together with improved cost leverage. As expected, credit issued growth moderated in these more mature markets to 4% which delivered a 7% increase in average net receivables and revenue growth of 10%. The credit issued growth was driven principally by a very strong performance in Latvia with larger average loan sizes and longer terms following the introduction of new debt-to-income regulations at the start of 2019. Revenue yield for the established markets increased modestly since the 2018 year end reflecting a shift in the mix of the portfolio towards products with higher yields, which resulted in revenue growing at a slightly faster rate than average net receivables.

Improved portfolio quality delivered a further 1.8ppt improvement in annualised impairment as a percentage of revenue to 19.0% since the year end. During the same period, we also delivered a 4.0ppt improvement in the cost-income ratio to 34.1% as a result of tight cost control to improve efficiency.

New markets

	H1 2018 £m	**H1 2019 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	99	**153**	54	54.5	
Credit issued	57.1	**90.4**	33.3	58.3	60.9
Average net receivables	63.0	**118.7**	55.7	88.4	91.8
Revenue	27.9	**50.3**	22.4	80.3	82.9
Impairment	(15.5)	**(32.8)**	(17.3)	(111.6)	(113.0)
Net revenue	12.4	**17.5**	5.1	41.1	44.6
Finance costs	(1.9)	**(3.6)**	(1.7)	(89.5)	(100.0)
Other costs	(18.8)	**(23.1)**	(4.3)	(22.9)	(24.2)
Loss before taxation	(8.3)	**(9.2)**	(0.9)	(10.8)	

Our new markets delivered start-up losses of £9.2 million in H1 2019 which was £0.9 million higher than H1 2018 and slightly lower than the second half of 2018.

Demand for our digital offering, particularly the credit line product, continues to be strong and investment in brand-building, improving our product and customer experience and enhanced risk-based pricing strategies resulted in a 61% increase in credit issued and growth in average net receivables and revenue of 92% and 83% respectively.

Annualised impairment as a percentage of revenue was 62.7% compared to 57.9% at the 2018 year-end, which was slightly more elevated than our plan and reflects a higher-than-expected credit loss experience in Spain and Poland. A key feature of managing our new market businesses is that we continually test and refine credit strategies to optimise our lending decisions. This dynamic process enables us to tighten lending policies quickly where we need to improve portfolio performance or relax credit settings to drive faster growth. As part of this process we have tightened credit settings in Poland and Spain to drive an improvement in impairment and, consequently, we now expect credit issued in the second half of 2019 to be broadly similar to the first half.

Building scale is a key strand of our digital strategy and we continued to invest in marketing and our technology platform to grow these businesses. While our investment resulted in a 24% increase in costs to £23.1 million, the economies of rapidly increasing scale in these markets resulted in a 10.4ppt improvement in the cost-income ratio to 51.1% since the 2018 year end. We expect this trend to continue in the years ahead.

IPF Digital represents a significant long-term growth opportunity for the Group and is making good progress against our strategy to build a large, profitable digital lending business. We remain on track to deliver the division's maiden profit in 2019 as we continue to build scale, offer our customers a superior service, improve impairment in our new markets, and further leverage our cost base to drive greater efficiency.

Regulatory update

As previously announced, on 25 June 2019 the Council of Ministers in Poland further amended the draft set of proposals that include a reduction of the existing cap on non-interest costs that may be charged by lenders in connection with consumer loan agreements. This latest modified draft proposal sponsored by the Polish Government is for a flat level cap of 10% of the loan value (currently 25%) and the additional cap per annum would be reduced to 10% (from 30%). The combined total of the flat 10% and the time-dependent 10% per annum would not be able to exceed 75% of the loan value (currently 100%). The parliamentary process has commenced, during which the draft proposals will be debated and could be modified further. Having referred the proposals to the EU for comment, the Polish Government has stated that it will not seek to complete the legislative process until the EU has submitted its comments, expected to be sometime in September. If the proposals are finalised and enacted, we will update the market once our assessment of the potential financial impact on the Group is complete.

The Governments in Finland and Latvia have introduced tighter interest rate cap regulations. In Finland, the existing interest rate cap was reduced to 20% from 50% plus reference rate, which will become effective for new agreements from September 2019. In Latvia, in addition to new debt-to-income regulations introduced at the beginning of 2019, the current interest rate cap of 0.25% per day was reduced to 0.07% in July. We will adapt our product offering to comply with the new requirements and expect that as these changes progressively impact these businesses, their contribution to divisional profitability will reduce.

As noted in our Q1 trading update, legislation to implement an APR cap in Romania was declared unconstitutional and has therefore not come into effect. We will continue to monitor any future developments.

With reference to the possibility later this year of a no-deal Brexit, as IPF's European operations are all within the EU and trade under locally-granted licences, we continue to believe that there should not be significant operational disruption. Our operational contingency planning remains focused on the areas of people, data, and cross-border corporate structures. While there is ongoing uncertainty about the future relationship between the UK and the EU, we believe we have robust plans in place to address the risks.

Taxation

The taxation charge on profit for the first six months of 2019 has been based on an expected effective tax rate of approximately 41%.

As previously reported, in late 2017 the European Commission opened a State Aid investigation into the Group Financing Exemption contained in the UK controlled foreign company rules, which were introduced in 2013. On 2 April 2019 the EU announced its finding that the Group Financing Exemption is partially incompatible with EU State Aid rules. In common with other UK-based international companies whose intra-group finance arrangements are in line with current controlled foreign company rules, the Group is affected by this decision. The total tax benefit obtained by the Group in all years as a result of the structure affected by the decision is estimated at up to £13.5 million. The amount repayable by the Group under the decision however is expected to be lower than this as the final decision only found the UK tax regime to be partially incompatible. The final amount will be subject to agreement with HMRC, which has recently initiated a process of information gathering with affected taxpayers, including IPF, for this purpose. The UK government has announced that it has filed an annulment application before the General Court of the EU.

In common with a number of other affected taxpayers, IPF has also filed its own annulment application. Nevertheless, the amount of finally agreed State Aid will need to be paid by the Group to HMRC in accordance with the State Aid rules. Based on legal advice received by management regarding the strength of the technical position set out in the annulment applications, it is expected to be more likely than not that any payment that the Group makes under the decision will ultimately be repaid. HMRC has stated that it does not consider that the timing and form of the UK's exit from the EU will have any practical impact on this matter.

There is no substantive update in respect of the on-going Polish tax audit matter, further details on which are set out in note 18.

Funding and balance sheet

We further strengthened our debt funding position by adding and refinancing £86 million of funding in the first half of 2019.

In June, we refinanced the £101.5 million retail-eligible bond maturing 2020, with £57.4 million of the existing bonds being exchanged, and £20.7 million of new bonds issued for cash, to create a new £78.1 million 7.75% bond maturing December 2023. The remaining £44.1 million bonds not exchanged will stay in place until May 2020. This refinancing forms part of our strategy of maintaining a diversified debt portfolio and extending the debt maturity profile beyond the Eurobond maturity in 2021. In addition, we added £8 million of new bank funding.

At June 2019, we had total debt facilities of £912 million (£586 million bonds and £326 million bank facilities) and borrowings of £720 million, with headroom on undrawn debt facilities of £192 million. Of our committed funding, £294 million now extends beyond the Eurobond maturity in 2021, including £173 million in 2022/23. We have one bond maturity in December 2019 of £15 million and two bonds totalling £86 million that mature in 2020.

The credit rating position improved in April 2019 following the affirmation of a BB rating by Fitch and the revision of the outlook from negative to stable, together with a new rating from Moody's of Ba3 stable outlook.

Our balance sheet remains robust, with an equity to receivables capital ratio at June 2019 of 44.9% compared with 43.5% at June 2018, and compared to our target level of 40%.

Dividend

The Board is pleased to declare an interim dividend of 4.6 pence per share. The dividend will be paid on 4 October 2019 to shareholders on the register at the close of business on 6 September 2019. The shares will be marked ex-dividend on 5 September 2019.

Outlook

We will continue to serve our customers responsibly within a changing regulatory and competitive landscape, and if enacted, we will update the market with our assessment of the potential financial impact of the proposed regulatory changes in Poland. We will invest to create more modern, efficient and higher credit quality operations in our European Home Credit markets.

We are focused on delivering an improved operational performance in Mexico alongside greater execution consistency which will deliver progressive improvements in profitability. In IPF Digital we aim to generate continued growth and improving credit quality and, as a result, we expect to deliver a maiden profit for the division in 2019. For the full year, we expect to deliver Group profit before tax in line with market consensus, with a stronger than originally expected performance in European home credit being offset by a weaker outturn in Mexico.

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.

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We will host a live webcast of the IPF half-year results presentation at 09:00hrs (BST) today – Wednesday 31 July 2019, which can be accessed in the Investors section of our website at www.ipfin.co.uk. A copy of this statement can also be found on our website at www.ipfin.co.uk.

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Condensed consolidated interim financial information for the six months ended 30 June 2019

Consolidated income statement

	Notes	**Unaudited Six months ended 30 June 2019 £m**	Unaudited Six months ended 30 June 2018 £m	Audited Year ended 31 December 2018 £m
Revenue	4	**446.9**	418.9	866.4
Impairment	4	**(123.8)**	(102.5)	(227.0)
Revenue less impairment		**323.1**	316.4	639.4
Finance costs		**(31.8)**	(28.0)	(58.5)
Other operating costs		**(69.1)**	(67.3)	(140.8)
Administrative expenses		**(166.1)**	(164.6)	(330.8)
Total costs		**(267.0)**	(259.9)	(530.1)
Profit before taxation	4	**56.1**	56.5	109.3
Tax expense – UK		**-**	-	(0.8)
– Overseas		**(23.0)**	(19.2)	(33.1)
Tax expense	5	**(23.0)**	(19.2)	(33.9)
Profit after taxation attributable to owners of the Company		**33.1**	37.3	75.4

Earnings per share

	Notes	**Unaudited Six months ended 30 June 2019 pence**	Unaudited Six months ended 30 June 2018 pence	Audited Year ended 31 December 2018 pence
Basic	6	**14.8**	16.7	33.8
Diluted	6	**14.0**	15.9	32.2

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

Dividend per share

	Notes	**Unaudited Six months ended 30 June 2019 pence**	Unaudited Six months ended 30 June 2018 pence	Audited Year ended 31 December 2018 pence
Interim dividend	7	**4.6**	4.6	4.6
Final dividend	7	**-**	-	7.8
Total dividend		**4.6**	4.6	12.4

Dividends paid

	Notes	**Unaudited Six months ended 30 June 2019 £m**	Unaudited Six months ended 30 June 2018 £m	Audited Year ended 31 December 2018 £m
Interim dividend of 4.6 pence (2018: interim dividend of 4.6 pence) per share	7	**-**	-	10.3
Final 2018 dividend of 7.8 pence (2018: final 2017 dividend of 7.8 pence) per share	7	**17.4**	17.4	17.4
Total dividends paid		**17.4**	17.4	27.7

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

Consolidated statement of comprehensive income

	Unaudited Six months ended 30 June 2019 £m	Unaudited Six months ended 30 June 2018 £m	Audited Year ended 31 December 2018 £m
Profit after taxation attributable to owners of the Company	**33.1**	37.3	75.4
Other comprehensive income			
Items that may subsequently be reclassified to income statement			
Exchange gains/(losses) on foreign currency translations	**1.2**	(30.4)	(8.7)
Net fair value gains/(losses) – cash flow hedges	**0.8**	(1.2)	0.3
Tax (charge)/credit on items that may be reclassified	**(0.2)**	0.2	0.3
Items that will not subsequently be reclassified to income statement			
Actuarial (losses)/gains on retirement benefit asset	**(1.4)**	3.3	1.1
Tax credit/(charge) on items that will not be reclassified	**0.3**	(0.6)	(0.2)
Other comprehensive income/(expense) net of taxation	**0.7**	(28.7)	(7.2)
Total comprehensive income for the period attributable to owners of the Company	**33.8**	8.6	68.2

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

Consolidated balance sheet

	Notes	**Unaudited 30 June 2019 £m**	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
Assets				
Non-current assets				
Goodwill	8	**24.4**	23.9	24.5
Intangible assets	9	**41.8**	33.9	38.0
Property, plant and equipment	10	**19.3**	19.2	19.9
Right of use asset	19	**19.5**	-	-
Deferred tax assets		**138.0**	116.8	138.5
Non-current tax asset	11	**36.2**	35.1	36.1
Retirement benefit asset	14	**3.7**	6.5	4.1
		282.9	235.4	261.1
Current assets				
Amounts receivable from customers				
- due within one year		**762.1**	715.4	764.2
- due in more than one year		**247.7**	172.9	228.6
	12	**1,009.8**	888.3	992.8
Derivative financial instruments		**1.4**	5.9	1.6
Cash and cash equivalents		**37.9**	33.6	46.6
Other receivables		**25.4**	24.4	18.9
Current tax assets		**4.9**	8.6	1.5
		1,079.4	960.8	1,061.4
Total assets	4	**1,362.3**	1,196.2	1,322.5
Liabilities				
Current liabilities				
Borrowings	13	**(132.9)**	(32.1)	(28.8)
Derivative financial instruments		**(10.4)**	(5.3)	(7.3)
Trade and other payables		**(123.4)**	(127.7)	(147.7)
Obligations under finance leases	19	**(20.6)**	-	-
Current tax liabilities		**(29.9)**	(22.3)	(25.8)
		(317.2)	(187.4)	(209.6)
Non-current liabilities				
Deferred tax liabilities		**(8.5)**	(3.6)	(10.4)
Borrowings	13	**(582.7)**	(618.6)	(669.5)
		(591.2)	(622.2)	(679.9)
Total liabilities	4	**(908.4)**	(809.6)	(889.5)
Net assets		**453.9**	386.6	433.0
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		**52.5**	29.6	51.3
Hedging reserve		**-**	(2.2)	(0.6)
Own shares		**(44.4)**	(45.5)	(45.1)
Capital redemption reserve		**2.3**	2.3	2.3
Retained earnings		**442.6**	401.5	424.2
Total equity		**453.9**	386.6	433.0

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
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 17)	-	-	(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
At 1 July 2018	23.4	(22.5)	(15.8)	401.5	386.6
Change in accounting policy	-	-	-	(1.7)	(1.7)
Restated at 1 July 2018	23.4	(22.5)	(15.8)	399.8	384.9
Comprehensive income					
Profit after taxation for the period	-	-	-	38.1	38.1
Other comprehensive income/(expense)					
Exchange gains on foreign currency translation (note 17)	-	-	21.7	-	21.7
Net fair value gains – cash flow hedges	-	-	1.5	-	1.5
Actuarial losses on retirement benefit asset	-	-	-	(2.2)	(2.2)
Tax credit on other comprehensive income	-	-	0.1	0.4	0.5
Total other comprehensive income/(expense)	-	-	23.3	(1.8)	21.5
Total comprehensive income for the period	-	-	23.3	36.3	59.6
Transactions with owners					
Share-based payment adjustment to reserves	-	-	-	(1.2)	(1.2)
Shares granted from treasury and employee trust	-	-	0.4	(0.4)	-
Dividends paid to Company shareholders	-	-	-	(10.3)	(10.3)
At 31 December 2018	23.4	(22.5)	7.9	424.2	433.0

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
At 1 January 2019	**23.4**	**(22.5)**	**7.9**	**424.2**	**433.0**
Comprehensive income					
Profit after taxation for the period	**-**	**-**	**-**	**33.1**	**33.1**
Other comprehensive income/(expense)					
Exchange gains on foreign currency translation (note 17)	**-**	**-**	**1.2**	**-**	**1.2**
Net fair value gains – cash flow hedges	**-**	**-**	**0.8**	**-**	**0.8**
Actuarial loss on retirement benefit asset	**-**	**-**	**-**	**(1.4)**	**(1.4)**
Tax (charge)/credit on other comprehensive income	**-**	**-**	**(0.2)**	**0.3**	**0.1**
Total other comprehensive income/(expense)	**-**	**-**	**1.8**	**(1.1)**	**0.7**
Total comprehensive income for the period	**-**	**-**	**1.8**	**32.0**	**33.8**
Transactions with owners					
Share-based payment adjustment to reserves	**-**	**-**	**-**	**4.5**	**4.5**
Shares granted from treasury and employee trust	**-**	**-**	**0.7**	**(0.7)**	**-**
Dividends paid to Company shareholders	**-**	**-**	**-**	**(17.4)**	**(17.4)**
At 30 June 2019	**23.4**	**(22.5)**	**10.4**	**442.6**	**453.9**

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

Consolidated cash flow statement

	Notes	**Unaudited Six months ended 30 June 2019 £m**	Unaudited Six months ended 30 June 2018 £m	Audited Year ended 31 December 2018 £m
Cash flows from operating activities				
Cash generated from operating activities	16	**76.9**	93.4	141.6
Finance costs paid		**(41.5)**	(38.5)	(59.6)
Income tax paid		**(21.9)**	(5.4)	(21.8)
Net cash generated from operating activities		**13.5**	49.5	60.2
Cash flows used in investing activities				
Purchases of intangible assets	9	**(10.6)**	(9.4)	(19.3)
Purchases of property, plant and equipment	10	**(3.3)**	(2.0)	(6.7)
Proceeds from sale of property, plant and equipment		**0.2**	-	0.3
Net cash used in investing activities		**(13.7)**	(11.4)	(25.7)
Net cash (used in)/generated from operating and investing activities		**(0.2)**	38.1	34.5
Cash flows from financing activities				
Proceeds from borrowings		**82.1**	76.1	101.9
Repayment of borrowings		**(69.0)**	(89.7)	(89.7)
Principal elements of lease payments	19	**(4.0)**	-	-
Dividends paid to Company shareholders	7	**(17.4)**	(17.4)	(27.7)
Net cash used in financing activities		**(8.3)**	(31.0)	(15.5)
Net (decrease)/increase in cash and cash equivalents		**(8.5)**	7.1	19.0
Cash and cash equivalents at beginning of period		**46.6**	27.4	27.4
Exchange (losses)/gains on cash and cash equivalents		**(0.2)**	(0.9)	0.2
Cash and cash equivalents at end of period		**37.9**	33.6	46.6

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2019

1. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 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 2018, 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 31 July 2019.

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 2018 were approved by the Board on 27 February 2019 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 going concern period (12 months from the date of this report) which include projected profits, cash flows, borrowings, headroom against debt facilities, and funding requirements. The Group's total debt facilities including a range of bonds and bank facilities, combined with a successful track record of accessing bank and debt funding markets over a long period (including periods of adverse macroeconomic conditions and a changing competitive and regulatory environment), is sufficient to fund business requirements for the foreseeable future. Taking these factors into account, together with regulatory and taxation risks, the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the going concern period. For this reason, the Board has adopted the going concern basis in preparing this Half-year Financial Report.

The amendments relating to the IFRS 16 'Leases' standard are mandatory for the first time for the financial year beginning 1 January 2019. Please see note 19 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 2018 and are detailed in those Financial Statements.

The following standards, interpretations and amendments are mandatory for the first time for the financial year beginning 1 January 2019 but do not have any material impact on the Group:

- Amendments to IAS 19 Employee Benefits – plan amendment, curtailment or settlement; and
- IFRIC23 'Uncertainty over Income Tax Treatments'

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2019 (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 40 to 43 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 2019 (continued)

2. Principal risks and uncertainties

We operate a formal risk management process, the details of which are set out on page 43 of the Financial Statements for the year ended 31 December 2018. Details of our principal risks can be found on pages 42 to 50 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 (including GDPR), or due to a regulator interpreting these in a different way or due to changes in legislation that challenge the viability of the Group's business models;
- 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 injury or harm to 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 2019 (continued)

4. Segment analysis

	Unaudited Six months ended 30 June 2019 £m	Unaudited Six months ended 30 June 2018 £m	Audited Year ended 31 December 2018 £m
Revenue			
European home credit	**229.1**	250.1	493.3
Mexico home credit	**126.6**	103.5	226.1
Digital	**91.2**	65.3	147.0
Revenue	**446.9**	418.9	866.4
Impairment			
European home credit	**30.5**	44.9	88.5
Mexico home credit	**53.1**	34.1	82.9
Digital	**40.2**	23.6	55.6
Slovakia and Lithuania	**-**	(0.1)	-
Impairment	**123.8**	102.5	227.0
Profit before taxation			
European home credit	**60.2**	60.2	113.8
Mexico home credit	**3.5**	7.4	15.7
Digital	**(0.4)**	(3.7)	(5.6)
UK costs[1]	**(7.2)**	(7.4)	(14.6)
Profit before taxation	**56.1**	56.5	109.3

[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.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2019 (continued)

4. Segment analysis (continued)

	Unaudited 30 June 2019 £m	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
Segment assets			
European home credit	**708.1**	676.9	699.8
Mexico home credit	**248.3**	201.2	241.7
Digital	**330.4**	242.1	310.2
Slovakia and Lithuania	**0.5**	0.4	0.3
UK[2]	**75.0**	75.6	70.5
Total	**1,362.3**	1,196.2	1,322.5
Segment liabilities			
European home credit	**323.1**	259.9	327.7
Mexico home credit	**174.5**	156.1	144.8
Digital	**248.1**	185.4	224.7
Slovakia and Lithuania	**3.3**	6.9	5.3
UK[2]	**159.4**	201.3	187.0
Total	**908.4**	809.6	889.5

[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 2019 has been based on an expected effective tax rate for the full year of 41% (30 June 2018: 34%, 31 December 2018: 31%).

The Group is currently subject to a tax audit with respect to Provident Polska for the years 2008-2012. Audits of 2010-2012 are ongoing, whilst for 2008 and 2009 decisions were received in January 2017 and have been appealed. Further details are set out in note 18. The Group is also subject to an audit in Mexico (regarding 2017) which is still at the information gathering stage.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2019 (continued)

6. Earnings per share

	Unaudited Six months ended 30 June 2019 pence	Unaudited Six months ended 30 June 2018 pence	Audited Year ended 31 December 2018 pence
Basic EPS	**14.8**	16.7	33.8
Dilutive effect of awards	**(0.8)**	(0.8)	(1.6)
Diluted EPS	**14.0**	15.9	32.2

Basic earnings per share ('EPS') is calculated by dividing the earnings attributable to shareholders of £33.1 million (30 June 2018: £37.3 million, 31 December 2018: £75.4 million) by the weighted average number of shares in issue during the period of 223.4 million which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (30 June 2018: 222.8 million, 31 December 2018: 223.0 million).

For diluted EPS the weighted average number of shares has been adjusted to 237.2 million (30 June 2018: 234.1 million, 31 December 2018: 234.1 million) to assume conversion of all dilutive potential ordinary share options relating to employees of the Group.

7. Dividends

The final dividend for 2018 of 7.8 pence per share was paid to shareholders on 10 May 2019 at a total cost to the Group of £17.4 million. The directors propose an interim dividend in respect of the financial year ended 31 December 2019 of 4.6 pence per share payable to shareholders who are on the register at close of business on 6 September 2019. This will amount to a total dividend payment of £10.3 million based upon the number of shares in issue and ranking for dividends as at 30 June 2019. This dividend is not reflected as a liability in the balance sheet as at 30 June 2019.

8. Goodwill

	Unaudited 30 June 2019 £m	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
Net book value at start of period	**24.5**	24.4	24.4
Exchange adjustments	**(0.1)**	(0.5)	0.1
Net book value at end of period	**24.4**	23.9	24.5

9. Intangible assets

	Unaudited 30 June 2019 £m	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
Net book value at start of period	**38.0**	33.1	33.1
Additions	**10.6**	9.4	19.3
Impairment	**-**	(0.4)	-
Amortisation	**(6.8)**	(8.0)	(14.5)
Exchange adjustments	**-**	(0.2)	0.1
Net book value at end of period	**41.8**	33.9	38.0

10. Property, plant and equipment

	Unaudited 30 June 2019 £m	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
Net book value at start of period	**19.9**	23.2	23.2
Exchange adjustments	**-**	(0.7)	-
Additions	**3.3**	2.0	6.7
Disposals	**(0.2)**	(0.4)	(0.8)
Depreciation	**(3.7)**	(4.9)	(9.2)
Net book value at end of period	**19.3**	19.2	19.9

As at 30 June 2019 the Group had £2.3 million of capital expenditure commitments with third parties that were not provided for (30 June 2018: £3.8 million, 31 December 2018: £4.9 million).

11. Non-current tax asset

Non-current tax asset includes an amount of £36.2 million in respect of the tax paid to the Polish Tax Authority, see note 18 for further details.

12. 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 2019 £m	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
Polish zloty	**365.4**	328.3	353.0
Czech crown	**65.1**	61.4	66.0
Euro*	**185.8**	152.2	179.1
Hungarian forint	**131.6**	122.6	128.3
Romanian leu	**71.7**	67.9	74.4
Mexican peso	**170.6**	144.4	176.4
Australian dollar	**19.6**	11.5	15.6
Total receivables	**1,009.8**	888.3	992.8

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

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows receivable discounted at the average effective interest rate ('EIR') of 108% (30 June 2018: 109%, 31 December 2018: 109%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 12.1 months (30 June 2018: 9.7 months, 31 December 2018: 11.5 months).

Determining an increase in credit risk since initial recognition

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

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

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

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

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2019 (continued)

12. Amounts receivable from customers (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.

The breakdown of receivables by stage is as follows:

30 June 2019	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total net receivables £m**
Home credit	**458.7**	**90.4**	**192.0**	**741.1**
IPF Digital	**248.2**	**18.1**	**2.4**	**268.7**
Group	**706.9**	**108.5**	**194.4**	**1,009.8**

30 June 2018	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total net receivables £m**
Home credit	423.8	86.7	178.4	688.9
IPF Digital	183.8	15.0	0.6	199.4
Group	607.6	101.7	179.0	888.3

31 December 2018	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total net receivables £m**
Home credit	460.6	90.0	192.2	742.8
IPF Digital	227.0	18.3	4.7	250.0
Group	687.6	108.3	196.9	992.8

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

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2019 (continued)

13. Borrowings

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

	Unaudited 30 June 2019 £m	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
Repayable			
- in less than one year	**132.9**	32.1	28.8
- between one and two years	**393.9**	159.6	172.1
- between two and five years	**188.8**	459.0	497.4
	582.7	618.6	669.5
Total borrowings	**715.6**	650.7	698.3

Borrowings is stated net of deferred debt issuance costs of £4.5 million (30 June 2018: £2.9 million; 31 December 2018: £2.2 million).

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

	Unaudited 30 June 2019 £m	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
Repayable			
- on demand	**23.8**	19.6	20.9
- in less than one year	**201.1**	72.8	65.7
- between one and two years	**413.5**	203.8	226.6
- between two and five years	**273.7**	568.4	572.8
Total facilities	**912.1**	864.6	886.0

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2019 (continued)

13. Borrowings (continued)

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 to 2012 financial years are currently being audited by the tax authorities in Poland, and all subsequent years up to and including 2018 remain open to future audit. Provident Polska has appealed the 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 £36.2 million (comprising tax and associated interest) which was necessary in order to make the appeals. The 2008 and 2009 tax audit decisions are the subject of a process involving the UK and Polish tax authorities 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. 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 whether future amounts will become due, and if so, the amount and timing of such cash outflows. However, in the event that audits are opened, and similar decisions are issued for each of these subsequent financial years, further amounts of up to c. £137 million may be required to be funded (including approximately £71 million for the 2010 to 2012 years in respect of which audits have commenced). See note 18 for further information.

14. Retirement benefit asset

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

	Unaudited 30 June 2019 £m	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
Equities	**-**	11.9	10.8
Diversified growth funds	**6.7**	11.5	11.2
Corporate bonds	**17.7**	10.1	10.1
Liability driven investments	**20.1**	9.0	7.4
Other	**0.9**	0.9	1.9
Total fair value of scheme assets	**45.4**	43.4	41.4
Present value of funded defined benefit obligations	**(41.7)**	(36.9)	(37.3)
Net asset recognised in the balance sheet	**3.7**	6.5	4.1

The charge recognised in the income statement in respect of defined benefit pension costs is £nil (6 months ended 30 June 2018: £nil, 12 months ended 31 December 2018: £nil).

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2019 (continued)

15. 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).

All of the Group's derivative financial instruments held at fair value fall into hierarchy level 2 (30 June 2018 and 31 December 2018: 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 2019 £m	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m	**Unaudited 30 June 2019 £m**	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
Financial assets						
Amounts receivable from customers	**1,009.8**	888.3	992.8	**1,410.1**	1,263.3	1,371.9
	1,009.8	888.3	992.8	**1,410.1**	1,263.3	1,371.9
Financial Liabilities						
Bonds	**581.8**	581.2	567.6	**558.4**	553.5	529.6
Bank borrowings	**133.8**	69.5	130.7	**133.8**	69.5	130.7
	715.6	650.7	698.3	**692.2**	623.0	660.3

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.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2019 (continued)

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

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.

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

	Unaudited Six months ended 30 June 2019 £m	Unaudited Six months ended 30 June 2018 £m	Audited Year ended 31 December 2018 £m
Profit after taxation	**33.1**	37.3	75.4
Adjusted for			
Tax charge	**23.0**	19.2	33.9
Finance costs	**31.8**	28.0	58.5
Share-based payment charge	**2.3**	2.2	1.1
Amortisation of intangible assets (note 9)	**6.8**	8.0	14.5
Loss on disposal of property, plant and equipment	**-**	0.4	0.5
Impairment of intangible assets (note 9)	**-**	0.4	-
Depreciation of property, plant and equipment (note 10)	**3.7**	4.9	9.2
Depreciation of right-of-use assets (note 19)	**4.4**	-	-
Changes in operating assets and liabilities			
Amounts receivable from customers	**(15.8)**	(0.4)	(65.9)
Other receivables	**(3.4)**	(7.6)	-
Trade and other payables	**(12.1)**	(1.7)	3.7
Retirement benefit asset	**(1.0)**	(1.1)	(0.9)
Derivative financial instruments	**4.1**	3.8	11.6
Cash generated from operating activities	**76.9**	93.4	141.6

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2019 (continued)

17. 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 2019	**Closing June 2019**	Average H1 2018	Closing June 2018	Average Year 2018	Closing December 2018
Polish zloty	**4.9**	**4.8**	4.8	4.9	4.8	4.8
Czech crown	**29.2**	**28.6**	29.0	29.3	28.9	28.5
Euro	**1.1**	**1.1**	1.1	1.1	1.1	1.1
Hungarian forint	**366.7**	**361.5**	356.5	368.3	359.9	357.0
Romanian leu	**5.4**	**5.3**	5.3	5.3	5.3	5.2
Mexican peso	**24.7**	**24.4**	26.6	27.3	25.9	25.0
Australian dollar	**1.8**	**1.8**	1.8	1.8	1.8	1.8

The £1.2 million exchange gain on foreign currency translations shown within the consolidated statement of comprehensive income arises on retranslation of net assets denominated in currencies other than sterling, due to the change in foreign exchange rates against sterling between December 2018 and June 2019 shown in the table above.

18. Contingent Liability Note

Polish tax audit

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 £36.2 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 previously reported, 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 this Financial Information given the uncertainties in relation to the timing of any repayment of such amounts.

18. Contingent Liability Note (continued)

The 2010 to 2012 financial years are currently being audited by the tax authorities in Poland. In the event that the Polish tax authorities were to issue decisions, and those decisions were to follow the same reasoning as for 2008 and 2009, around a further £71 million would become payable. In addition, all subsequent years remain open to future audit, meaning that there are further significant uncertainties in relation to whether future amounts will become due, and if so, the amount and timing of such 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. The total potential liability for all open years 2008-2018, if all years were assessed on the same basis as 2008 and 2009, would amount to around £173 million, including the £36.2 million that was paid in January 2017. Further information is set out in note 13.

State Aid investigation

As previously reported, in late 2017 the European Commission opened a State Aid investigation into the Group Financing Exemption contained in the UK controlled foreign company rules, which were introduced in 2013. On 2 April 2019 the EU announced its finding that the Group Financing Exemption is partially incompatible with EU State Aid rules. In common with other UK-based international companies whose intra-group finance arrangements are in line with current controlled foreign company rules, the Group is affected by this decision. The total tax benefit obtained by the Group in all years as a result of the structure affected by the decision is estimated at up to £13.5 million. The amount repayable by the Group under the decision however is expected to be lower than this as the final decision only found the UK tax regime to be partially incompatible. The final amount will be subject to agreement with HMRC, which has recently initiated a process of information gathering with affected taxpayers, including IPF, for this purpose. The UK government has announced that it has filed an annulment application before the General Court of the EU. In common with a number of other affected taxpayers, IPF has also filed its own annulment application. Nevertheless, the amount of finally agreed State Aid will need to be paid by the Group to HMRC in accordance with the State Aid rules. Based on legal advice received by management regarding the strength of the technical position set out in the annulment applications, it is expected to be more likely than not that any payment that the Group makes under the decision will ultimately be repaid. HMRC has stated that it does not consider that the timing and form of the UK's exit from the EU will have any practical impact on this matter.

19. IFRS 16 Leases

IFRS 16, which was endorsed by the EU on 9 November 2017, provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 supersedes the current lease guidance including IAS 17 Leases and the related interpretations and became effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group is 1 January 2019.

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 are 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 measured initially at cost and measured subsequently at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is measured initially 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 is also affected because operating leases under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments are split into a principal and interest portion, which is presented as operating and financing cash flows respectively.

All of the Group's leasing arrangements have been reviewed in light of the new rules in IFRS 16 and they will primarily affect the accounting for the Group's operating leases. The Group has adopted IFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases.* These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, at the lessee's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8%.

Furthermore, the Group has applied exemptions available under the standard relating to low value assets and short-term leases.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2019 (continued)

19. IFRS 16 Leases (continued)

As at the 1 January 2019, the Group had non-cancellable operating lease commitments of £29.0 million. The Group recognised right-of-use assets of £21.2 million on 1 January 2019 and lease liabilities of £21.2 million, overall there was a £nil impact on net assets.

	Unaudited 1 January 2019 £m
Operating lease commitments as at 1 January 2019	**29.0**
Operating lease commitments as at 1 January 2019 restated net of VAT	**26.9**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**25.0**
Less: short-term leases recognised on a straight-line basis as expense	**(4.7)**
Less: low-value leases recognised on a straight-line basis as expense	**(0.6)**
Add: adjustments as a result of a different treatment of extension and termination options	**1.5**
Lease liability recognised as at 1 January 2019	**21.2**

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

Lease liability	**Unaudited 30 June 2019 £m**
Lease liability at start of period	**21.2**
Exchange adjustments	**0.1**
Additions	**2.5**
Interest	**0.8**
Lease payments	**(4.0)**
Lease liability at end of period	**20.6**

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2019 (continued)

19. IFRS 16 Leases (continued)

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

	Unaudited 30 June 2019 £m	Unaudited 1 January 2019 £m
Properties	**13.0**	14.9
Motor Vehicles	**6.4**	6.2
Equipment	**0.1**	0.1
Total right-of-use assets	**19.5**	21.2

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

Right-of-use asset	**Unaudited 30 June 2019 £m**
Net book value at start of period	**21.2**
Exchange adjustments	**0.2**
Additions	**2.5**
Disposals	**-**
Depreciation	**(4.4)**
Net book value at end of period	**19.5**

The change in accounting policy affected the balance sheet on 1 January 2019 by increasing segmental assets by £21.2m and increasing segmental liabilities by £21.2m for the right-of-use asset and lease liability respectively. The net impact on retained earnings on 1 January 2019 was £nil.

At 30 June 2019 segmental assets were affected by an increase of £19.5m and segmental liabilities by an increase of £20.6m.

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; Richard Moat, Senior independent non-executive director; Deborah Davis, non-executive director; John Mangelaars, non-executive director; Cathryn Riley, non-executive director and Bronwyn Syiek, 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.

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			
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.
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.

Alternative performance measures (continued)

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
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.
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.

Constant exchange rate reconciliations

The period-on-period change in IFRS 9 profit and loss accounts is calculated by retranslating the 2018 half-year's profit and loss account at the average actual exchange rates used in the current year.

H1 2019

£m	European home credit	Mexico home credit	IPF Digital	Lithuania & Slovakia	Central costs	Group
Customers	**1,032.0**	**861.0**	**304.0**	**-**	**-**	**2,197.0**
Credit issued	**364.6**	**136.4**	**171.3**	**-**	**-**	**672.3**
Average net receivables	**549.8**	**167.8**	**253.3**	**-**	**-**	**970.9**
Revenue	**229.1**	**126.6**	**91.2**	**-**	**-**	**446.9**
Impairment	**(30.5)**	**(53.1)**	**(40.2)**	**-**	**-**	**(123.8)**
Net revenue	**198.6**	**73.5**	**51.0**	**-**	**-**	**323.1**
Finance costs	**(18.5)**	**(6.0)**	**(7.1)**	**-**	**(0.2)**	**(31.8)**
Agents' commission	**(25.6)**	**(15.4)**	**-**	**-**	**-**	**(41.0)**
Other costs	**(94.3)**	**(48.6)**	**(44.3)**	**-**	**(7.0)**	**(194.2)**
Profit/(loss) before tax	**60.2**	**3.5**	**(0.4)**	**-**	**(7.2)**	**56.1**

H1 2018 performance, at average H1 2018 foreign exchange rates

£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

Foreign exchange movements

£m	European home credit	Mexico home credit	IPF Digital	Lithuania & Slovakia	Central costs	Group
Credit issued	(8.8)	8.2	(1.4)	-	-	(2.0)
Average net receivables	(14.2)	9.0	(1.9)	-	-	(7.1)
Revenue	(6.1)	6.6	(0.7)	-	-	(0.2)
Impairment	1.1	(2.1)	0.1	-	-	(0.9)
Net revenue	(5.0)	4.5	(0.6)	-	-	(1.1)
Finance costs	0.5	(0.3)	0.1	-	-	0.3
Agents' commission	0.6	(0.8)	-	-	-	(0.2)
Other costs	2.1	(2.6)	0.4	-	-	(0.1)
Profit/(loss) before tax	(1.8)	0.8	(0.1)	-	-	(1.1)

Constant exchange rate reconciliations (continued)

H1 2018 performance, at average H1 2019 foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Lithuania & Slovakia	Central costs	Group
Credit issued	358.9	137.3	134.0	-	-	630.2
Average net receivables	554.7	153.1	187.7	-	-	895.5
Revenue	244.0	110.1	64.6	-	-	418.7
Impairment	(43.8)	(36.2)	(23.5)	0.1	-	(103.4)
Net revenue	200.2	73.9	41.1	0.1	-	315.3
Finance costs	(17.5)	(5.3)	(4.9)	-	-	(27.7)
Agents' commission	(26.6)	(14.3)	-	-	-	(40.9)
Other costs	(97.7)	(46.1)	(40.0)	(0.1)	(7.4)	(191.3)

Year-on-year movement at constant exchange rates

%	European home credit	Mexico home credit	IPF Digital	Lithuania & Slovakia	Central costs	Group
Credit issued	1.6%	(0.7%)	27.8%	-	-	6.7%
Average net receivables	(0.9%)	9.6%	34.9%	-	-	8.4%
Revenue	(6.1%)	15.0%	41.2%	-	-	6.7%
Impairment	30.4%	(46.7%)	(71.1%)	(100.0%)	-	(19.7%)
Net revenue	(0.8%)	(0.5%)	24.1%	(100.0%)	-	2.5%
Finance costs	(5.7%)	(13.2%)	(44.9%)	-	-	(14.8%)
Agents' commission	3.8%	(7.7%)	-	-	-	(0.2%)
Other costs	3.5%	(5.4%)	(10.8%)	100.0%	5.4%	(1.5%)

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 2019 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 19. 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 2019 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
31 July 2019