

International Personal Finance plc

Trading update and statement of dividends – six months ended 30 June 2007

International Personal Finance (“IPF” or “the Group”) is a fast-growing international business offering home credit to 1.9 million customers in six countries.

IPF was created by the demerger of the international businesses of Provident Financial plc. Its shares were admitted to the Official List and to trading on the London Stock Exchange’s market for listed securities on 16 July 2007. Its results as a trading division for the six months to 30 June 2007 form a part of the consolidated interim results of Provident Financial plc.

This document provides a pro forma trading update for IPF for the first half of 2007. The results include the pro forma adjustments required to present the results of IPF as if it had operated as a stand alone entity throughout the first half of 2007 and the comparative periods presented.

Operating and financial highlights

- Profit before tax increased by 31.4% to £15.9 million (2006: £12.1 million)
- Customer numbers up 6.2% to 1.9 million
- Credit quality improved and impairment levels reduced
- Strong performance from established Central European businesses
- EPS increased by 35.4% to 4.32 pence (2006: 3.19 pence)
- Interim dividend of 1.90 pence per share
- Strong balance sheet and substantial headroom on committed bank facilities sufficient to fund growth through to Spring 2010

Executive Chairman, Christopher Rodrigues, commented:

“Our demerger was successfully completed on 16 July 2007. IPF has a robust business model with a strong balance sheet and secure sources of medium-term funding for our growth plans. The business had a most encouraging first half with strong profit growth and good progress towards our longer-term objectives. We expect further progress in the second half.”

Christopher Rodrigues
Chairman
11 September 2007

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Summary results

Performance throughout the first half of 2007 has been good and marks another six months of significant progress. We have seen good growth in customer numbers which, despite tighter credit controls, increased by 6.2% compared with June 2006 and now stand at 1,876,000. This has contributed to growth in credit issued of 12.7% and in average receivables of 11.6%. This growth has been coupled with further significant improvement in credit quality. As a result, the impairment charge during the period has fallen by 39.9%. Together, these factors have led to an increase in profit before tax of 31.4% to £15.9 million. Earnings per share for the six months to June 2007 increased by 35.4% from 3.19 pence to 4.32 pence.

	Pro forma 30 June 2007 £m	Pro forma 30 June 2006 £m	Change £m	Change %
Profit before taxation				
Central Europe	31.1	24.1	7.0	29.0
Central costs	(6.4)	(5.9)	(0.5)	(8.5)
Established businesses	24.7	18.2	6.5	35.7
Mexico	(6.9)	(5.0)	(1.9)	(38.0)
Romania	(1.9)	(1.1)	(0.8)	(72.7)
Developing markets	(8.8)	(6.1)	(2.7)	(44.3)
Profit before taxation*	15.9	12.1	3.8	31.4
Taxation*	(4.8)	(3.9)	(0.9)	(23.1)
Profit after taxation*	11.1	8.2	2.9	35.4
Earnings per share (pence)				
Established businesses	6.69	4.78	1.91	40.0
Developing markets	(2.37)	(1.59)	(0.78)	(49.1)
Total*	4.32	3.19	1.13	35.4

*Stated before exceptional demerger costs of £3.3 million and the related tax credit of £0.6 million.

During 2006, we tightened our credit controls in Central Europe supported by significant improvements in credit management systems. Volume growth was slowed but return on assets was substantially increased. The success of this strategy is demonstrated by the increase in pre-tax profit from Central Europe of £7.0 million (29.0%) to £31.1 million in the first half of this year. The annualised impairment charge is now running at 19.9% of revenue compared with 34.8% at June 2006. This represents an excellent performance given our 25 – 30% target impairment to revenue ratio. This has facilitated a release of surplus impairment provisions of £6.0 million, an increase in provision release of £2.2 million when compared with the first half of 2006. It is also encouraging that having laid these strong foundations we are now seeing improved growth in customers, credit issued and net receivables.

We have set a medium-term target of annual profit before tax from our Central European businesses of £95 million. We continue to move towards that target with pro forma pre-tax profit for the 12 months to June 2007 of £71.1 million compared with £64.1 million for the 12 months to December 2006 and expect to make further good progress during the second half of the year.

After taking account of central costs, pre-tax profits from our established markets, before investment in developing new markets, rose by 35.7% in the first half, increasing by £6.5 million from £18.2 million in 2006 to £24.7 million in 2007.

Investment in developing the Mexican and Romanian markets was increased by £2.7 million to £8.8 million, with the aim of bringing these markets into profit in 2009 and 2010 respectively. Performance in Mexico is improving with the Guadalajara region developing very well and the Puebla region showing improvement. In June, we implemented in Mexico the improved credit management systems that have proved so successful in Central Europe. We expect these to constrain volume growth in the second half but to contribute significantly to further improvements in performance. The expansion of the branch network in Romania is progressing to plan following the decision to proceed to national roll-out announced in June. We expect our investment this year in start-up losses in Mexico to be approximately £12 million, and in Romania to be £3 – 4 million.

A more detailed review of performance in each business unit is provided in the operating review.

Dividend

At demerger it was stated that, in the absence of unforeseen circumstances, the directors of IPF intended to declare aggregate dividends in respect of 2007 of 4.75 pence per share. An interim dividend of 1.90 pence per share has been declared, payable on 19 October 2007 to shareholders on the register at close of business on 21 September 2007. The shares will be marked ex-dividend on 19 September 2007.

Our aim is to adopt a progressive dividend policy and to build the level of dividend cover over the medium-term with a view to then maintaining a dividend payout ratio of 25% of post-tax profits.

Balance sheet

IPF is strongly capitalised and well positioned to fund its growth strategy. Net receivables at the end of the period were £355.2 million, which represents growth of 7.3% since the 2006 year end. At 30 June 2007, IPF had net assets of £164.7 million, an increase of £14.5 million compared with pro forma net assets at the end of 2006.

At 30 June 2007, shareholders' equity represented 46.4% of net receivables, a slight increase when compared with the pro forma balance sheet at the end of 2006.

Since the demerger a further £51 million of committed bank facilities have been agreed. This brings total committed facilities at the Group's disposal, most of which extend to March 2010, to £460 million, of which £198 million was unutilised at 30 June 2007. These facilities are sufficient to support the planned growth in the business over the next two and a half years.

New countries

Our strategy is to invest approximately 25% of the profits from our profitable businesses, less central costs, in developing new markets. Our medium-term targets are Russia, India and Ukraine.

In Russia, due diligence is well advanced on the acquisition of a small bank to facilitate market entry. If all proceeds to plan we expect to commence operation in Russia in the first quarter of 2008. As with previous market entries, this would take the form of a limited pilot over a period of eighteen months to two years to test the market dynamics and the business environment.

Start-up losses for such a pilot would be approximately £3 – 5 million per annum and the net receivables book would not exceed £5 million.

Research is also progressing well on India and Ukraine. At this stage, both represent realistic candidates for a pilot entry in the second half of 2008 or early 2009.

Regulation and legislation

In Slovakia, and recently in Hungary, there has been discussion about the development of legislation to introduce a cap on interest rates charged by lenders. We operate successfully within a rate cap in Poland with a modified product offering, but will continue to closely monitor the situation in these countries.

Prospects

We are pleased with performance in the first six months of 2007 and trading since June has been in line with expectations. We have very strong foundations for continued progress.

We have a proven, successful business model as demonstrated by the strong performance of our established Central European businesses. This model is based on providing small sums of credit over short periods. Most of our lending is typically over one year and at 30 June 2007, the average receivable per customer was just over £180. This means that we are able to respond quickly to changes in the market environment, although the economic trends in each of our markets are positive.

This is supported by a robust approach to credit management. Key to this is the personal relationship between the customers and our agents, including weekly face to face contact, which allows us a close understanding of the financial circumstances of our customers. We have added to this and improved our credit management capability through the integration of new systems and processes, such as application and behavioural scoring as well as call centre based collections. This has supported the substantial improvement in credit quality and impairment in 2006 and in the first half of 2007. We have a programme for further enhancing these systems and processes and extending their scope across more markets in the second half of 2007 and 2008.

We have a highly motivated team, which is enjoying the opportunity to take IPF forward as an independent business and which is focused on delivering shareholder value through a clear strategy of maximising profits in existing markets as well as entering new markets that present significant opportunities. Incentives have been put in place to support this which reward management for the total shareholder return achieved over the three years following demerger. Payout is subject to the delivery of a minimum return of 30% above the average share price in the month following demerger, which was 226 pence.

Our research programme is progressing well and we have a good flow of prospects, including Russia, India and Ukraine, to be carefully tested through small scale pilots in the years to come.

We also have a strong balance sheet, with equity to receivables of 46.4% at the half year and a business model that is strongly capital generative. Importantly, we have committed funding in place to support our business growth over the next two and a half years and, with finance costs representing only 5 - 6% of revenues, we are well placed in this time of uncertainty in financial markets.

As a result, we are confident of the prospects for IPF and expect to continue to make good progress during the second half of the year.

Operating review

Central Europe

	30 June 2007	30 June 2006	Change	Change
	£m	£m	£m	%
Credit issued	252.6	233.2	19.4	8.3
Customer numbers (000s)	1,542	1,581	(39)	(2.5)
Average receivables	316.6	292.9	23.7	8.1
Revenue	173.1	175.8	(2.7)	(1.5)
Impairment	(34.2)	(64.4)	30.2	46.9
Revenue less impairment	138.9	111.4	27.5	24.7
Agents' commission	(23.9)	(20.9)	(3.0)	(14.4)
Finance costs	(10.1)	(8.7)	(1.4)	(16.1)
Other operating costs	(73.8)	(57.7)	(16.1)	(27.9)
Profit before taxation	31.1	24.1	7.0	29.0

Profit before tax in the first half for Central Europe increased by £7.0 million (29.0%), to £31.1 million. Customer numbers increased by 1.2% in the first half to 1,542,000 reversing the reduction in customer numbers in 2006 that accompanied the introduction of tighter credit controls. This, together with the targeted issue of larger loans to better quality customers, led to an increase in credit issued of 8.3% compared with the first half of 2006.

The key feature of the first half was the continuation of the improvement in credit quality, as a result of the introduction of improved credit management techniques in 2006. The benefits of this exceeded our expectations and, as a result, the impairment charge reduced by £30.2 million (46.9%) to £34.2 million. This includes the release of £6.0 million of impairment provisions no longer required in Poland because of the improvement in credit quality. A similar release of provisions was made in the first half of 2006 of £3.8 million primarily in the Czech Republic. The annualised impairment charge as a percentage of revenue at June 2007 reduced to 19.9% compared with 34.8% at June 2006 and 26.8% at the end of 2006. Impairment is now below our target range of 25-30% of revenue and, although we intend to maintain strong management of credit quality, this will afford the opportunity to ease our underwriting criteria a little in the second half of the year to promote faster, profitable growth in receivables.

Other operating costs increased by £16.1 million to £73.8 million reflecting £4.2 million of additional costs in Hungary resulting from the employment of agents and other administrative changes to comply with the requirements of the regulator, the PSZAF, additional costs of introducing enhanced credit management processes throughout Central Europe and other increases in costs in line with the expansion of the operation.

Central Europe comprises our operations in Poland, the Czech Republic, Hungary and Slovakia. The performance of each country is reviewed in the following section.

Poland

	30 June 2007	30 June 2006	Change	Change
	£m	£m	£m	%
Credit issued	123.8	118.1	5.7	4.8
Customer numbers (000s)	857	903	(46)	(5.1)
Average receivables	169.9	159.3	10.6	6.7
Revenue	84.9	97.0	(12.1)	(12.5)
Impairment	(9.6)	(40.3)	30.7	76.2
Revenue less impairment	75.3	56.7	18.6	32.8

Our Polish business has performed well in the first half with a continued strong improvement in credit quality, coupled with a resumption of growth in customer numbers, credit issued and receivables.

Impairment reduced significantly from £40.3 million to £9.6 million. This reflects the substantial improvements in credit control in 2006 following the introduction of application and behavioural scoring. Performance in the period has also benefited from the extension of the centralised collections processes, from approximately 30% of the Polish operations at the end of 2006 to the whole country in the first quarter of 2007. As noted above, this improved credit performance has enabled a release of prior year impairment provisions of £6.0 million in the first half. Annualised impairment, on an underlying basis, as a percentage of revenue was 17.4% at 30 June 2007, compared with 30.3% at the end of 2006.

These improvements in credit quality have provided the Polish business with solid foundations for growth. We are now seeing the fruits of an increase in marketing spend, with the result that customers have grown from a low of 838,000 customers at the end of February 2007 to 857,000 at the half year. This compares with 854,000 at the end of 2006. Credit issued in the first half was £123.8 million, which represents growth of 4.8% on last year. Average customer receivables increased by 6.7% but a change in product mix towards products with lower effective interest rates led to a reduction in revenue of 12.5%. Revenue net of impairment increased strongly, up by £18.6 million (32.8%) to £75.3 million.

We expect steady growth in customers and credit issued in the second half through additional marketing and promotional activities accompanied by a small increase in the level of impairment following a slight easing of credit controls.

Czech Republic

	30 June 2007	30 June 2006	Change	Change
	£m	£m	£m	%
Credit issued	49.3	43.0	6.3	14.7
Customer numbers (000s)	261	247	14	5.7
Average receivables	60.6	55.0	5.6	10.2
Revenue	33.4	30.4	3.0	9.9
Impairment	(9.0)	(6.5)	(2.5)	(38.5)
Revenue less impairment	24.4	23.9	0.5	2.1

The Czech Republic also delivered a strong performance in the first half of 2007. Year on year customer growth was 5.7% with the customer count at the end of June 2007 reaching a record high of 261,000 up from 254,000 at the end of 2006. Credit issued in the first half was £49.3 million, which represents year on year growth of 14.7%. Revenue has risen strongly by 9.9% to £33.4 million.

Credit quality remains very good with impairment as a percentage of revenue of 18.8% for the 12 months to June 2007. Impairment increased from £6.5 million in the first half of 2006 to £9.0 million in the first half of 2007, but after adjusting for the release of £3.5 million of impairment provisions in 2006 actually decreased by £1.0 million on a like for like basis. Revenue net of impairment increased by 2.1% to £24.4 million.

We expect continued good growth in the Czech Republic during the second half of the year with stable credit quality.

Hungary

	30 June 2007	30 June 2006	Change	Change
	£m	£m	£m	%
Credit issued	60.1	53.7	6.4	11.9
Customer numbers (000s)	293	305	(12)	(3.9)
Average receivables	64.2	59.6	4.6	7.7
Revenue	41.3	37.5	3.8	10.1
Impairment	(11.0)	(12.5)	1.5	12.0
Revenue less impairment	30.3	25.0	5.3	21.2

Following the interruption of progress in Hungary during the final quarter of last year as a result of the suspension of lending to meet the administrative requirements of the PSZAF, the business resumed growth during the first half of this year. Customer numbers, which reduced from 305,000 at June 2006 to 284,000 at December 2006, increased in the first half of 2007 by 9,000 (3.2%) to 293,000. Credit issued during the period was £60.1 million, which represents year on year growth of 11.9% and over the same period average net receivables rose by 7.7% to £64.2 million. Revenue increased by 10.1% to £41.3 million.

Impairment reduced by £1.5 million (12.0%) to £11.0 million and annualised impairment as a percentage of revenue reduced to 21.3% for the 12 months ended June 2007. This is 6.4% lower than the prior year and 3.1% lower than the end of 2006. Revenue net of impairment increased by £5.3 million or 21.2% to £30.3 million. However, this has been partly offset by an increase in running costs of £4.2 million during the first half as a result of the costs of employing the agency force and new operational processes to meet the requirements of the PSZAF.

Slovakia

	30 June 2007	30 June 2006	Change	Change
	£m	£m	£m	%
Credit issued	19.4	18.4	1.0	5.4
Customer numbers (000s)	131	126	5	4.0
Average receivables	21.9	19.0	2.9	15.3
Revenue	13.5	10.9	2.6	23.9
Impairment	(4.6)	(5.1)	0.5	9.8
Revenue less impairment	8.9	5.8	3.1	53.4

The Slovakian operation performed well during the six months to June 2007, building on its maiden profit reported in 2006. The key focus has been on improving credit quality and profitability and as a result customer numbers were held steady at 131,000 at June 2007 compared with 126,000 a year earlier and 131,000 at the end of last year. Similarly credit issued in the first half reduced by 3%, at constant exchange rates, compared to the prior year at £19.4 million. However, the benefits of this focus on credit quality are seen in the annualised impairment as a percentage of revenue which reduced to 29.0% by June, 12.9% lower than the prior year and now within our target range of 25 - 30%. Impairment in the first half reduced by 9.8% from £5.1 million in 2006 to £4.6 million in 2007. Revenue increased by 23.9% to £13.5 million benefiting from an increase in average receivables of 15.3% and revenue net of impairment increased by 53.4% to £8.9 million.

Central costs

Central costs for the first half, including listed company costs, were £6.4 million or £0.5 million higher than the prior year due to an increase in new country research costs, principally in respect of Russia.

Developing markets

Mexico

	30 June 2007	30 June 2006	Change	Change
	£m	£m	£m	%
Credit issued	30.7	20.9	9.8	46.9
Customer numbers (000s)	317	184	133	72.3
Average receivables	21.1	11.4	9.7	85.1
Revenue	17.1	11.4	5.7	50.0
Impairment	(7.5)	(5.1)	(2.4)	(47.1)
Revenue less impairment	9.6	6.3	3.3	52.4
Agents' commission	(2.0)	(1.2)	(0.8)	(66.7)
Finance costs	(1.9)	(1.0)	(0.9)	(90.0)
Other operating costs	(12.6)	(9.1)	(3.5)	(38.5)
Loss before taxation	(6.9)	(5.0)	(1.9)	(38.0)

Mexico continues to show strong customer growth. The customer count now stands at 317,000, which represents growth of 65,000 customers or 26% since the start of the year and growth of 72.3% since June 2006. This has been achieved without any increase in branch infrastructure, a clear demonstration of the strong product appeal and significant market opportunity.

We currently operate in this country from two regional centres; Puebla and Guadalajara. Guadalajara is performing well but performance in Puebla, whilst improving, remains below target levels due to unsatisfactory credit quality.

In Puebla, progress is being made and 10 out of 22 branches are now profitable and making a positive contribution to regional overheads. Further improvement is needed and to assist with this additional, experienced management resource has been introduced from Central Europe into the Puebla region. They are heavily focused on an improvement programme for the underperforming, loss-making branches. Clear evidence of significant improvement in these branches is expected in the early months of 2008.

Customer numbers in Puebla have continued to grow, rising over the 12 months to June by 77,000 and since the year end by 38,000 to 249,000. Throughout the region, improved credit quality is a key focus of management attention. A contributor to poor credit quality has been the high level of staff turnover. This problem was addressed in the second half of last year and is now at a satisfactory level. As a result, levels of experience and skills are now rising steadily and this is expected to progressively improve credit performance. Further improvements in credit quality are expected from a significant tightening of credit management processes supported by behavioural scoring, which was introduced across the country during June and from application scoring and centralised collections, the introduction of which commenced in July and will take effect during the second half of the year. This is likely to constrain customer growth in this region in the second half.

Guadalajara continues to perform well and in line with our expectations with 9 out of 10 branches now profitable and making a positive contribution to regional overheads. Credit quality is at target levels and the customer base has grown strongly, up by 27,000 or 65.8% from 41,000 at the end of 2006 to 68,000 by June 2007. This good performance gives us further evidence that our home credit model can be successful in Mexico. We intend to open two further branches in the Guadalajara region in the second half of this year.

Overall, in Mexico, impairment has now stabilised and annualised impairment as a percentage of revenue was 46.3% at June 2007, a slight improvement from the 47.3% reported at the end of 2006. Further improvement is expected in the second half.

Revenue net of impairment increased by £3.3 million (52.4%) to £9.6 million. Other operating costs increased by £3.5 million (38.5%) reflecting the increased size of the business compared with the first half of 2006. Start-up losses for Mexico during the first half were £6.9 million, compared with a loss of £5.0 million last year.

We expect reduced losses for the second half as the levels of impairment improve. Losses for 2007 are expected to be approximately £12 million.

We continue to target profit from both the Puebla and Guadalajara regions and for Mexico overall in 2009.

Romania

	30 June 2007	30 June 2006	Change
	£m	£m	£m
Credit issued	3.2	0.1	3.1
Customer numbers (000s)	17	1	16
Average receivables	1.9	-	1.9
Revenue	1.4	-	1.4
Impairment	(0.1)	-	(0.1)
Revenue less impairment	1.3	-	1.3
Agents' commission	(0.1)	-	(0.1)
Finance costs	(0.2)	-	(0.2)
Other operating costs	(2.9)	(1.1)	(1.8)
Loss before taxation	(1.9)	(1.1)	(0.8)

Romania continues to perform well and in line with our expectations. At June 2007, it had 17,000 customers, an increase of 11,000 since the end of 2006 and, as expected, reported a loss of £1.9 million compared with £1.1 million in 2006. Credit quality remains good, with impairment running at 5.9% of revenue.

Following the decision to proceed to national roll-out in June a new branch in Pitesti opened in July. It is expected that we will open a further two branches over the remainder of the year taking our infrastructure to seven branches. As previously indicated, full year losses for this year are expected to be £3 – 4 million. We continue to target profit from this market in 2010.

International Personal Finance plc

Pro forma consolidated income statement

	Notes	Unaudited Pro forma Six months to 30 June 2007 £m	Unaudited Pro forma Six months to 30 June 2006 £m	Unaudited Pro forma Year to 31 Dec 2006 £m
Revenue*	2	191.6	187.2	365.3
Impairment		(41.8)	(69.5)	(103.1)
Revenue less impairment		149.8	117.7	262.2
Finance costs		(10.2)	(7.8)	(18.6)
Other operating costs		(37.4)	(29.1)	(58.2)
Administrative expenses		(89.6)	(68.7)	(149.7)
		(137.2)	(105.6)	(226.5)
Profit before taxation	2	12.6	12.1	35.7
Profit before taxation and exceptional demerger costs	2	15.9	12.1	39.9
Exceptional demerger costs	2	(3.3)	-	(4.2)
Profit before taxation	2	12.6	12.1	35.7
Total tax expense	3	(4.2)	(3.9)	(11.9)
Profit after taxation		8.4	8.2	23.8

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

Earnings per share

	Notes	Unaudited Pro forma Six months to 30 June 2007 pence	Unaudited Pro forma Six months to 30 June 2006 pence	Unaudited Pro forma Year to 31 Dec 2006 pence
Basic earnings per share	4	3.27	3.19	9.25

Pro forma consolidated balance sheet

	Notes	Unaudited Pro forma As at 30 June 2007 £m	Unaudited Pro forma As at 30 June 2006 £m	Unaudited Pro forma As at 31 Dec 2006 £m
Assets				
Non-current assets				
Intangible assets		12.6	1.9	14.0
Property, plant and equipment		34.1	23.6	30.2
Retirement benefit asset		3.5	0.3	0.4
Deferred income tax assets		13.6	8.9	15.6
		<u>63.8</u>	<u>34.7</u>	<u>60.2</u>
Current assets				
Financial assets:				
- Amounts receivable from customers				
- due within one year	6	337.3	281.1	312.4
- due in more than one year	6	17.9	13.4	18.6
- Cash and cash equivalents		44.7	46.7	44.6
- Derivative financial instruments		0.8	2.3	0.6
Trade and other receivables		11.2	8.5	6.5
		<u>411.9</u>	<u>352.0</u>	<u>382.7</u>
Total assets		<u>475.7</u>	<u>386.7</u>	<u>442.9</u>
Liabilities				
Current liabilities				
Financial liabilities:				
- Bank and other borrowings		(94.1)	(21.5)	(73.1)
- Derivative financial instruments		(1.3)	(2.3)	(2.3)
Trade and other payables		(43.3)	(29.4)	(35.0)
Current income tax liabilities		(4.5)	(5.2)	(12.7)
		<u>(143.2)</u>	<u>(58.4)</u>	<u>(123.1)</u>
Non-current liabilities				
Bank and other borrowings		(167.8)	(201.4)	(169.6)
		<u>(167.8)</u>	<u>(201.4)</u>	<u>(169.6)</u>
Total liabilities		<u>(311.0)</u>	<u>(259.8)</u>	<u>(292.7)</u>
Net assets		<u>164.7</u>	<u>126.9</u>	<u>150.2</u>

Pro forma consolidated cash flow statement

	Unaudited Pro forma Six months to 30 June 2007 £m	Unaudited Pro forma Six months to 30 June 2006 £m	Unaudited Pro forma Year to 31 Dec 2006 £m
Cash flows from operating activities			
Cash generated from operations	15.3	29.7	55.9
Established businesses	30.6	37.2	74.5
Start-up businesses	(15.3)	(7.5)	(18.6)
	15.3	29.7	55.9
Interest paid	(11.8)	(7.9)	(18.7)
Income tax paid	(13.8)	(12.2)	(17.5)
Net cash (used in)/ generated from operating activities	(10.3)	9.6	19.7
Cash flows from investing activities			
Purchases of property, plant and equipment	(9.9)	(5.7)	(17.4)
Proceeds from sale of property, plant and equipment	2.2	1.4	3.4
Purchases of intangible assets	(0.1)	-	(12.1)
Net cash used in investing activities	(7.8)	(4.3)	(26.1)
Cash flows from financing activities			
Proceeds from/(repayment of) bank borrowings	18.3	(5.2)	3.6
Net cash generated from/(used in) financing activities	18.3	(5.2)	3.6
Net increase/(decrease) in cash and cash equivalents	0.2	0.1	(2.8)
Cash and cash equivalents at the start of the period	44.6	47.2	47.2
Exchange (losses)/gains on cash and cash equivalents	(0.1)	(0.6)	0.2
Cash and cash equivalents at the end of the period	44.7	46.7	44.6

A regulated company within the Group is required to keep its cash and short-term deposits strictly segregated from the rest of the Group and these amounts are therefore not available to repay Group borrowings. At 30 June 2007 the cash and short-term deposits held by this company amounted to £22.0m (30 June 2006: £27.2m, 31 December 2006: £21.4m).

Pro forma consolidated cash flow statement (continued)

Cash generated from operations can be analysed as follows:

	Unaudited Pro forma Six months to 30 June 2007 £m	Unaudited Pro forma Six months to 30 June 2006 £m	Unaudited Pro forma Year to 31 Dec 2006 £m
Changes in amounts receivable from customers	(24.3)	17.8	(7.0)
Changes in trade and other receivables and payables	8.0	(1.5)	8.6
Other cash generated from operations	31.6	13.4	54.3
Cash generated from operations	15.3	29.7	55.9

Notes to the pro forma financial information for the six months ended 30 June 2007

1 Basis of preparation

International Personal Finance plc (IPF) acquired the international businesses of the Provident Financial plc group on 16 July 2007 by issuing one IPF share to the shareholders of Provident Financial plc for each Provident Financial share held by them. The financial information included in this trading update is shown on a pro forma basis and has been prepared by aggregating the financial information for each of the entities now included in the IPF group and making certain consolidation and pro forma adjustments in order to present a consolidated income statement and consolidated balance sheet as if the IPF group had always existed. A reconciliation of the result for the period to the result included in the Provident Financial interim results is included in note 7.

Full details of the demerger are given in the prospectus which can be found on the company's website.

The accounting policies used in completing this pro forma financial information have been consistently applied in all periods shown. The key accounting policies are as follows:

Revenue recognition

Revenue, which excludes value added tax and intra-group transactions, comprises revenue earned on amounts receivable from customers.

The service charge on a home credit loan is fixed. The charge does not increase if customers take longer than the contracted period to repay the loan. The majority of loans do not carry penalties or default interest charges. In accordance with IAS 39 'Financial instruments: Recognition and measurement' the service charge is accounted for as interest income.

Revenue on customer receivables is recognised using an effective interest rate (EIR). The EIR is calculated using estimated cash flows being contractual payments adjusted for the impact of customers repaying early but excluding the anticipated impact of customers paying late or not paying at all.

Directly attributable incremental issue costs are also taken into account in calculating the EIR. Interest income continues to be accrued on impaired receivables using the original EIR applied to the loan's carrying value.

Amounts receivable from customers

All customer receivables are initially recognised at the amount loaned to the customer plus directly attributable incremental issue costs. After initial recognition, customer receivables are subsequently measured at amortised cost. Amortised cost is the amount of the customer receivable at initial recognition plus revenue earned calculated using the EIR, less customer repayments and any deduction for impairment.

All customer receivables are assessed for impairment every week and at each balance sheet date. Customer accounts that are in arrears are deemed to have demonstrated evidence of impairment and are subject to a detailed impairment review. Impairment is calculated using actuarial models which use historical payment performance to generate the estimated amount and timing of future cash flows from each arrears stage. These estimated future cash flows from each portfolio of similar loans are discounted to a present value using the original EIR and this figure is compared with the balance sheet value. All such impairments are charged to the income statement.

2 Segment information

Geographical segments

	Unaudited Pro forma Six months to 30 June 2007 £m	Unaudited Pro forma Six months to 30 June 2006 £m	Unaudited Pro forma Year to 31 Dec 2006 £m
Revenue			
Central Europe	173.1	175.8	338.6
Mexico	17.1	11.4	26.4
Romania	1.4	-	0.3
	<u>191.6</u>	<u>187.2</u>	<u>365.3</u>
Profit before taxation			
Central Europe	31.1	24.1	64.1
UK – central costs	(6.4)	(5.9)	(11.9)
Established businesses	<u>24.7</u>	<u>18.2</u>	<u>52.2</u>
Mexico	(6.9)	(5.0)	(9.9)
Romania	(1.9)	(1.1)	(2.4)
Profit before exceptional demerger costs	15.9	12.1	39.9
Exceptional demerger costs	(3.3)	-	(4.2)
Profit before taxation	<u>12.6</u>	<u>12.1</u>	<u>35.7</u>

The exceptional demerger costs represent costs incurred in preparing for the demerger of the international businesses from the Provident Financial Group.

The company operates in one business segment and therefore no segment information is provided for business activities.

3 Tax expense

Tax expense on profit before the exceptional demerger costs is recognised based on management's best estimate of the tax rate expected for the full financial year of 30% (30 June 2006: 32.2%, 31 December 2006: 32.2%).

The tax credit on the exceptional demerger costs of £3.3m (30 June 2006: £nil, 31 December 2006: £4.2m) is £0.6m, (30 June 2006: £nil, 31 December 2006: £0.9m).

4 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the earnings attributable to shareholders of £8.4m (30 June 2006: £8.2m, 31 December 2006: £23.8m) by the number of shares issued on the date of demerger of 257.2 million.

The directors have elected to show an adjusted EPS excluding the impact of the exceptional demerger costs. Demerger costs, net of the related tax credit are £2.7m, (30 June 2006: £nil, 31 December 2006: £3.3m).

	Unaudited Pro forma Six months to 30 June 2007 pence	Unaudited Pro forma Six months to 30 June 2006 pence	Unaudited Pro forma Year to 31 Dec 2006 pence
Basic EPS	3.27	3.19	9.25
Demerger costs, net of tax credit	1.05	-	1.29
EPS from ongoing operations	4.32	3.19	10.54

This is attributable to the following defined business units:

	Unaudited Pro forma Six months to 30 June 2007 pence	Unaudited Pro forma Six months to 30 June 2006 pence	Unaudited Pro forma Year to 31 Dec 2006 pence
Central Europe	8.44	6.34	16.91
UK central costs	(1.75)	(1.56)	(3.15)
Established businesses	6.69	4.78	13.76
Mexico	(1.86)	(1.32)	(2.60)
Romania	(0.51)	(0.27)	(0.62)
EPS from ongoing operations	4.32	3.19	10.54

5 Dividends

An interim dividend of 1.90 pence per share will be paid on 19 October 2007 to shareholders who are on the register at the close of business on 21 September 2007. This interim dividend amounting to £4.9m has not been recognised as a liability in this pro forma financial information as it will be paid after the balance sheet date.

6 Amounts receivable from customers

	Unaudited Pro forma As at 30 June 2007 £m	Unaudited Pro forma As at 30 June 2006 £m	Unaudited Pro forma As at 31 Dec 2006 £m
Central Europe	328.2	280.8	311.9
Mexico	24.0	13.7	18.1
Romania	3.0	-	1.0
	<u>355.2</u>	<u>294.5</u>	<u>331.0</u>

The impairment charge in respect of amounts receivable from customers can be analysed as follows:

	Unaudited Pro forma Six months to 30 June 2007 £m	Unaudited Pro forma Six months to 30 June 2006 £m	Unaudited Pro forma Year to 31 Dec 2006 £m
Central Europe	34.2	64.4	90.6
Mexico	7.5	5.1	12.5
Romania	0.1	-	-
	<u>41.8</u>	<u>69.5</u>	<u>103.1</u>

7 Pro forma adjustments

A reconciliation of the pro forma result for the six months ended 30 June 2007 to the result reported within the Provident Financial interim report is shown below:

	Reported* £m	Interest margin £m	Reduced borrowing £m	Listed plc costs £m	Pro forma** £m
Revenue	191.6	-	-	-	191.6
Impairment	(41.8)	-	-	-	(41.8)
Revenue less impairment	149.8	-	-	-	149.8
Finance costs	(11.4)	(0.8)	1.9	-	(10.3)
Other operating costs	(37.4)	-	-	-	(37.4)
Administrative expenses	(82.9)	-	-	(3.3)	(86.2)
	(131.7)	(0.8)	1.9	(3.3)	(133.9)
Profit before taxation	18.1	(0.8)	1.9	(3.3)	15.9
Analysed as:					
Central Europe	31.9	(0.8)	-	-	31.1
Central costs	(5.0)	-	1.9	(3.3)	(6.4)
Established businesses	26.9	(0.8)	1.9	(3.3)	24.7
Mexico	(6.9)	-	-	-	(6.9)
Romania	(1.9)	-	-	-	(1.9)
	18.1	(0.8)	1.9	(3.3)	15.9

* Reported in Provident Financial plc's interim report for the six months ended 30 June 2007.

** Pro forma before exceptional costs. The exceptional demerger costs of £3.3m comprise a cost of £3.4m included within administrative expenses and a credit in respect of derivatives of £0.1m which is included within finance costs.

Appendix – Key statistics

	30 June 2007	30 June 2006	31 Dec 2006
Poland			
Agents	13,571	12,008	13,564
Customers (000s)	857	903	854
Credit issued (£m)	123.8	118.1	235.6
Revenue (£m)	84.9	97.0	185.0
Impairment (£m)	(9.6)	(40.3)	(56.0)
Revenue less impairment (£m)	75.3	56.7	129.0
Hungary			
Agents	4,226	4,370	4,253
Customers (000s)	293	305	284
Credit issued (£m)	60.1	53.7	102.7
Revenue (£m)	41.3	37.5	70.6
Impairment (£m)	(11.0)	(12.5)	(17.2)
Revenue less impairment (£m)	30.3	25.0	53.4
Czech			
Agents	3,208	3,146	3,370
Customers (000s)	261	247	254
Credit issued (£m)	49.3	43.0	97.4
Revenue (£m)	33.4	30.4	60.7
Impairment (£m)	(9.0)	(6.5)	(9.6)
Revenue less impairment (£m)	24.4	23.9	51.1
Slovakia			
Agents	1,812	1,723	1,809
Customers (000s)	131	126	131
Credit issued (£m)	19.4	18.4	39.2
Revenue (£m)	13.5	10.9	22.3
Impairment (£m)	(4.6)	(5.1)	(7.8)
Revenue less impairment (£m)	8.9	5.8	14.5
Central Europe			
Agents	22,817	21,247	22,996
Customers (000s)	1,542	1,581	1,523
Credit issued (£m)	252.6	233.2	474.9
Revenue (£m)	173.1	175.8	338.6
Impairment (£m)	(34.2)	(64.4)	(90.6)
Revenue less impairment (£m)	138.9	111.4	248.0

Appendix – Key statistics (continued)

	30 June 2007	30 June 2006	31 Dec 2006
Mexico			
Agents	5,082	3,507	5,238
Customers (000s)	317	184	252
Credit issued (£m)	30.7	20.9	48.1
Revenue (£m)	17.1	11.4	26.4
Impairment (£m)	(7.5)	(5.1)	(12.5)
Revenue less impairment (£m)	9.6	6.3	13.9
Romania			
Agents	438	85	181
Customers (000s)	17	1	6
Credit issued (£m)	3.2	0.1	1.3
Revenue (£m)	1.4	-	0.3
Impairment (£m)	(0.1)	-	-
Revenue less impairment (£m)	1.3	-	0.3
Total			
Agents	28,337	24,839	28,415
Customers (000s)	1,876	1,766	1,781
Credit issued (£m)	286.5	254.2	524.3
Revenue (£m)	191.6	187.2	365.3
Impairment (£m)	(41.8)	(69.5)	(103.1)
Revenue less impairment (£m)	149.8	117.7	262.2