



**International  
Personal Finance**

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**Annual results announcement  
and statement of dividends  
For the year ended 31 December 2008**

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## **International Personal Finance plc**

### **Annual results announcement and statement of dividends**

### **Year ended 31 December 2008**

*In order to present the underlying performance variance, prior year figures are quoted at constant exchange rates (CER).*

#### **Operating and financial highlights**

- Profit before tax up by 40.3%\* (4.3%\* at CER) to £70.3 million (2007: £50.1 million\*)
- Earnings per share up by 44.5%\* (7.5%\* at CER) to 19.73 pence
- Central Europe profit before tax up 31.5%\* (7.4%\* at CER) to £106.0 million
- Mexico on track for 2009 profit
- Strong balance sheet with equity at 45.1% of receivables
- Core funding in place to October 2011
- Proposed final dividend increased by 19.3% to 3.40 pence per share (full year dividend: 5.70 pence)

Chief Executive Officer, John Harnett, commented:

“This has been another successful year, with good progress made towards our strategic objectives: We passed our £95 million profit target for Central Europe a year ahead of schedule and Mexico remains on track to report a profit for 2009 and Romania for 2010.

We also succeeded in extending our core bank facilities through to October 2011.

Looking forward we have a strong balance sheet and a resilient business model. We are well placed to weather the downturn, and to respond rapidly and grow when conditions improve.”

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\* 2007 results and % growth stated on a pro forma basis

Certain comparative information presented in this document is stated on a pro forma basis including the adjustments required to present the results as if International Personal Finance plc (IPF or the Group) had operated as a stand alone entity throughout the year ended 31 December 2007. The statutory profit before tax for the year ended 31 December 2007 was £47.0 million and the statutory EPS was 12.64 pence. Further information on the pro forma adjustments including a reconciliation between the statutory and pro forma profit after tax is included in note 13 of this report.

Percentage change figures for all performance measures, other than profit or loss before taxation and earnings per share, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate (CER) for 2008 in order to present the underlying performance variance.

## Summary

Profit before taxation for the year ended 31 December 2008 increased by 40.3% to £70.3 million and earnings per share increased by 44.5% to 19.73 pence. The Group income statement is set out below:

	2008	Pro forma 2007	Change	Change	Change
	£m	£m	£m	%	at CER %
<b>Profit before taxation</b>					
Customer numbers (000s)	<b>2,029</b>	1,937	92	4.7	4.7
Credit issued	<b>791.0</b>	621.1	169.9	27.4	4.5
Average receivables	<b>504.9</b>	362.1	142.8	39.4	13.9
Revenue	<b>557.1</b>	409.8	147.3	35.9	11.4
Impairment	<b>(127.2)</b>	(83.2)	(44.0)	(52.9)	(27.1)
Revenue less impairment	<b>429.9</b>	326.6	103.3	31.6	7.5
Finance costs	<b>(29.5)</b>	(19.2)	(10.3)	(53.6)	(25.5)
Operating and administration costs	<b>(330.1)</b>	(257.3)	(72.8)	(28.3)	(6.9)
	<b>(359.6)</b>	(276.5)	(83.1)	(30.1)	(8.2)
<b>Profit before taxation</b>	<b>70.3</b>	50.1	20.2	40.3	4.3

During the year the business made good progress towards its strategic objectives: In Central Europe we surpassed the £95 million profit target set at demerger, earning a profit before tax from these markets of £106 million; Our developing markets in Mexico and Romania progressed to plan and remain on target for profit for 2009 and 2010 respectively; and our entry into Russia on pilot scale, with an investment in start-up losses of £6 million in the year, was successfully achieved.

The global economic climate deteriorated rapidly during 2008. By the late summer it was clear the world's economies, including the emerging markets in which we operate, were heading for a major recession. We decided to act early and so substantially tightened our credit controls in Central Europe in October 2008, focusing on lower risk lending and so slowing the intake of new customers and the volume of repeat lending to existing customers. We also decided to defer further new country entry and reduced to a minimum growth in headcount, capital expenditure and costs.

As a result of the credit tightening, growth in customer numbers and credit issued slowed significantly in Central Europe in the final quarter. The credit tightening extended the period before which customers are offered another loan and so the short-term impact on sales and profitability was greater than the annualised impact. We estimate that the short-term impact of the credit tightening on pre-tax profit in 2008 was a reduction of £5-6 million but we believe that this will benefit performance in 2009, putting us in a stronger position to manage impairment.

Group customer numbers increased by 4.7% in the year and now stand at over 2 million. The growth in customer numbers came from the developing markets of Romania and Mexico with customer numbers in Central Europe reducing slightly as a result of the impact of the credit tightening. Credit issued increased by 4.5% to £791.0 million.

Average net customer receivables grew by 13.9%, benefiting from increased average loan sizes to better quality customers and this caused revenue to increase by 11.4% to £557.1 million.

As expected, credit quality softened a little during the first half of the year driven by growth in credit issued and customer numbers. As a result impairment grew by 27.1% to £127.2 million, including a release of impairment provisions of £2.0 million in Poland compared with a release of £6.0 million in 2007. Before provision releases, impairment was at 23.2% of revenue compared with 21.8% in 2007, well within our target range. In addition, the credit tightening implemented in October resulted in a much improved early credit performance for lending in the final four months of the year.

Finance costs increased by 25.5% to £29.5 million as a result of increased net borrowings to fund growth in Mexico and Romania and higher interest margins on our borrowings. Year end borrowings, net of cash, were 9.2% higher than 2007 and the interest rate margin that we pay on our syndicated loan facilities increased from 135 bps to 225 bps following the refinancing in October. Finance costs represented 5.3% of revenue.

Operating and administration costs increased by less than revenue, up by 6.9% to £330.1 million. Cost increases were driven by expansion in Mexico and Romania, with Central European costs flat.

All markets performed well and the profit before taxation by market is set out below:

	2008 £m	Pro forma 2007 £m	Change £m	Change %	Change at CER %
Central Europe	<b>106.0</b>	80.6	25.4	31.5	7.4
Central costs	<b>(13.2)</b>	(12.5)	(0.7)	(5.6)	(5.6)
Established businesses	<b>92.8</b>	68.1	24.7	36.3	7.7
Mexico	<b>(8.7)</b>	(13.3)	4.6	34.6	37.4
Romania	<b>(7.8)</b>	(4.2)	(3.6)	(85.7)	(77.3)
Russia	<b>(6.0)</b>	(0.5)	(5.5)	(1,100.0)	(1,100.0)
Developing markets	<b>(22.5)</b>	(18.0)	(4.5)	(25.0)	(19.7)
Profit before taxation	<b>70.3</b>	50.1	20.2	40.3	4.3
Taxation	<b>(19.7)</b>	(15.0)	(4.7)	(31.3)	
<b>Profit after taxation</b>	<b>50.6</b>	35.1	15.5	44.2	

	2008 £m	Pro forma 2007 £m	Change £m	Change %
<u>Earnings per share (pence)</u>				
Established businesses	<b>26.04</b>	18.55	7.49	40.4
Developing markets	<b>(6.31)</b>	(4.90)	(1.41)	(28.8)
<b>Total</b>	<b>19.73</b>	13.65	6.08	44.5

Our established Central Europe business reported pre-tax profits of £106.0 million, an increase of £25.4 million (31.5%) on the prior year. This reflects a good performance in the year but also the strength of the Central European currencies, which meant that the rates used to retranslate profits were approximately 23% better than 2007. Excluding exchange rate movements but including the negative short-term impact of the credit tightening, profits increased by 7.4%.

Central costs increased by 5.6% to £13.2 million.

Pre-tax profits from our established businesses, net of central costs, increased by 36.3% to £92.8 million. Earnings per share attributable to established businesses were 26.04 pence, up by 40.4%.

We made good progress in Mexico with losses reducing by £4.6 million to £8.7 million. Customer numbers increased by 18.6% to 370,000 and credit issued rose by 8.1% to £67.4 million. Average net customer receivables increased strongly, up by 20.9% to £28.9 million and this caused revenue to increase by 16.2% to £48.4 million. The tightening of credit controls implemented at the end of 2007 was effective and despite strong growth in customers and receivables credit quality remained good and stable in both the Puebla and Guadalajara regions with impairment as a percentage of revenue reducing to 35.5% (2007: 47.4%).

Romania continues to progress in line with expectations. Losses of £7.8 million reflect the costs of expanding our number of branches from 7 at the end of 2007 to 16 at the end of 2008.

Customer numbers and credit issued grew strongly, up by 157.6% and 244.1% respectively, with credit quality remaining good.

We also commenced pilot operations in Russia during the third quarter of the year from a single branch in Moscow. It is too early to draw conclusions from our experience to date. Start-up losses of £6.0 million were incurred in 2008 (2007: £0.5 million).

### **Taxation**

The taxation charge for the year was £19.7 million (2007: £15.0 million) which represents an effective rate of 28.0% (2007: 29.9%). We expect the Group's effective rate of taxation to be 28.0% in 2009.

### **Dividend**

Subject to shareholder approval, a final dividend of 3.40 pence per share will be paid on 22 May 2009 to shareholders on the register at the close of business on 17 April 2009. The shares will be marked ex-dividend on 15 April 2009. This will bring the full year dividend to 5.70 pence per share (2007: 4.75 pence per share).

The growth in dividend reflects the good performance of the business in 2008 and our strong balance sheet. In the current challenging economic climate, however, shareholders should not assume that we will increase the dividend per share for 2009.

### **Balance sheet**

The Group balance sheet remains well capitalised with net assets of £258.8 million (2007: £203.6 million) giving an equity to receivables ratio of 45.1% (2007: 45.9%). Gearing, calculated as borrowings divided by shareholders' equity, has reduced to 1.7 times (2007: 1.8 times).

Year end receivables increased by 8.1% to £574.4 million (2007: £443.2 million). As at 31 December 2008 the average period outstanding was five months with 96.1% of year end receivables due within one year.

Total Group borrowings at 31 December 2008 are £434.3 million compared with total facilities of £663.8 million, giving headroom on facilities of £229.5 million. We successfully extended £422.8 million of committed facilities to October 2011 and this provides sufficient funding for existing operations to that time. The interest margin we pay on borrowings increased from 135 bps to 225 bps as a result.

### **New countries**

As noted above we do not expect to enter any new countries or regions in 2009.

### **Regulation and legislation**

During the year we responded to the introduction of an interest rate cap in our smallest established market, Slovakia. This became effective from July 2008 and, as we had previously done in Poland, we successfully modified our product offering, with minimal impact on operational performance. In recent months there has also been some debate about the possible introduction of rate caps in both Mexico and Hungary.

We continue to monitor the implementation of the EU Consumer Credit Directive which will pass into law in each of our Central European markets and Romania over the course of the next two years. The new Directive focuses on fairness to customers and transparency. There are some areas where the precise details of the law will only be clear when the Directive is enacted in each member state and, in due course, we may need to make some adjustments, but overall we welcome the changes it will bring.

### **Foreign exchange**

Our policy is to hedge the translation of reported profits only within the reporting period. In January 2009 we hedged the rates used to translate the majority of forecast profits for Central Europe for 2009. These rates are approximately 4% more favourable than the average rates used in 2008. For further details on the exchange rates used see note 12.

### **Prospects**

We have a resilient business model. Our loan book is short-term, on average just under six months repayments are outstanding, which means we can quickly change the risk-return profile of our lending, and our close customer relationships allow us to rapidly detect and respond to changes in customers' circumstances.

However, the extent and duration of the economic downturn and the impact of this on the markets in which we operate is unclear. In these circumstances the guidance we can give is less certain.

We expect that during 2009 the economies of the emerging markets in which we operate will slow substantially or move into recession and this will reduce household incomes and so lessen customers' ability to repay loans. In this situation we can expect collection of loan repayments to be more challenging and credit quality to come under pressure. Our central planning assumption is that impairment will increase by around 5% of revenue as a result and collections performance in the early weeks of 2009 supports this view, with Mexico less affected than our European markets. We will mitigate this by reducing our operating costs in Central Europe by at least £10 million.

We are confident that the actions we have taken to tighten credit criteria and minimise costs will allow us to weather the recession successfully and that we are well placed to respond rapidly and grow when conditions improve.

## Operating review

A review of the performance in each of our markets is included in this section of the report.

### Central Europe

Central Europe comprises our operations in Poland, the Czech Republic, Hungary and Slovakia. Central Europe performed well in 2008, with reported pre-tax profits of £106.0 million, up by 31.5% from 2007. A summary table of the results is presented below with a detailed review of each country in the following section.

	2008	Pro forma 2007	Change	Change	Change at CER
	£m	£m	£m	%	%
Customer numbers (000s)	<b>1,574</b>	1,592	(18)	(1.1)	(1.1)
Credit issued	<b>690.1</b>	553.8	136.3	24.6	0.8
Average net receivables	<b>464.1</b>	336.7	127.4	37.8	11.5
Revenue	<b>493.2</b>	367.1	126.1	34.4	8.6
Impairment	<b>(106.0)</b>	(64.3)	(41.7)	(64.9)	(32.7)
Revenue less impairment	<b>387.2</b>	302.8	84.4	27.9	3.4
Finance costs	<b>(24.9)</b>	(18.1)	(6.8)	(37.6)	(12.2)
Agent commission	<b>(65.0)</b>	(51.7)	(13.3)	(25.7)	(2.5)
Other operating costs	<b>(191.3)</b>	(152.4)	(38.9)	(25.5)	(0.7)
<b>Profit before taxation</b>	<b>106.0</b>	80.6	25.4	31.5	7.4

In October 2008, we significantly tightened our credit controls in expectation of an economic downturn and rising unemployment in our markets during 2009. We also implemented plans to keep costs to a minimum.

As a result of the implementation of stricter lending criteria, year end customer numbers reduced by 1.1% to 1.57 million, having been growing at an annualised rate of 4.8% to the end of the third quarter. This reduction was also partly attributable to the write-off of non-performing customers to accelerate the recovery of the outstanding debt.

Credit issued, which had also been growing well throughout the first three quarters of the year (7.9% higher than the same period of the prior year), decreased by 16.3% in the final quarter of 2008, consequently for the full year credit issued increased by only 0.8% to £690.1 million.

Year end net receivables were 2.6% higher than at 31 December 2007 with a larger increase of 11.5% in average net receivables over the full year reflecting the growth in credit issued in the first three quarters.

Revenue increased by 8.6% to £493.2 million, but was affected by the reduction in credit issued in the fourth quarter. Impairment increased by 32.7% to £106.0 million although as noted above, this includes £2.0 million of provision releases compared with £6.0 million in the prior year. Before provision releases, underlying impairment was 21.9% of revenue, compared with 19.2% for 2007.

The net effect was an increase in pre-tax profits of £25.4 million (31.5%) to £106.0 million. After adjusting for the current and prior year release of impairment provisions, and the impact of foreign exchange, underlying profit growth was 14.5%.

### **Poland**

	<b>2008</b>	2007	Change	Change	Change at
	<b>£m</b>	£m	£m	%	CER
					%
Customer numbers (000s)	<b>856</b>	871	(15)	(1.7)	(1.7)
Credit issued	<b>344.9</b>	270.9	74.0	27.3	2.0
Average net receivables	<b>255.5</b>	181.0	74.5	41.2	13.5
Revenue	<b>249.6</b>	183.1	66.5	36.3	9.2
Impairment	<b>(48.2)</b>	(26.4)	(21.8)	(82.6)	(45.8)
<b>Revenue less impairment</b>	<b>201.4</b>	156.7	44.7	28.5	3.1

Following the credit tightening customer numbers reduced by 1.7% to 856,000. Credit issued increased by 2.0% to £344.9 million. Average net receivables and revenue increased by 13.5% and 9.2% respectively.

Credit quality remained good with underlying impairment as a percentage of revenue at 20.1% (2007: 17.7%). The impairment charge of £48.2 million is net of a release of impairment provisions of £2.0 million (2007: £6.0 million).

Revenue less impairment has increased by 3.1% to £201.4 million.

### **Czech Republic and Slovakia**

	<b>2008</b>	2007	Change	Change	Change at
	<b>£m</b>	£m	£m	%	CER
					%
Customer numbers (000s)	<b>397</b>	402	(5)	(1.2)	(1.2)
Credit issued	<b>195.1</b>	152.9	42.2	27.6	(0.2)
Average net receivables	<b>118.7</b>	87.6	31.1	35.5	6.0
Revenue	<b>130.5</b>	96.9	33.6	34.7	5.0
Impairment	<b>(32.0)</b>	(20.5)	(11.5)	(56.1)	(20.1)
<b>Revenue less impairment</b>	<b>98.5</b>	76.4	22.1	28.9	0.8

Growth in these markets was also impacted by the credit tightening. Customer numbers reduced by 1.2% and credit issued by 0.2%. Average net receivables increased by 6.0% leading to an increase in revenue of 5.0% to £130.5 million.

Impairment as a percentage of revenue increased to 24.5% from 21.2%, partly as a result of the strong growth in credit issued in the first three quarters of 2008, and partly due to lower revenue as a result of the credit tightening.

Revenue less impairment increased by 0.8% to £98.5 million.

## Hungary

	2008	2007	Change	Change	Change at
	£m	£m	£m	%	CER
					%
Customer numbers (000s)	321	319	2	0.6	0.6
Credit issued	150.1	130.0	20.1	15.5	(0.6)
Average net receivables	89.9	68.1	21.8	32.0	13.8
Revenue	113.1	87.1	26.0	29.9	11.6
Impairment	(25.8)	(17.4)	(8.4)	(48.3)	(28.1)
<b>Revenue less impairment</b>	<b>87.3</b>	<b>69.7</b>	<b>17.6</b>	<b>25.3</b>	<b>7.5</b>

Credit controls were tightened in Hungary in July, earlier than the other Central European markets. As a result growth was constrained with customer numbers growing by 0.6% to 321,000 and credit issued reducing by 0.6% to £150.1 million.

Strong growth in the later part of 2007 led to an increase in average net receivables of 13.8% and this resulted in an 11.6% increase in revenue.

Credit quality remained good and impairment as a percentage of revenue was 22.8% (2007: 20.0%), in line with the figure reported at June 2008.

Revenue less impairment increased by 7.5% to £87.3 million.

## **Developing markets**

### Mexico

Mexico made significant progress in 2008, reporting a much reduced loss of £8.7 million, which at constant exchange rates, is 37.4% lower than the loss reported in 2007. Importantly, we reported reduced losses in both the Puebla and Guadalajara regions with both very close to break even for the second half of the year.

	2008	Proforma	Change	Change	Change at
	£m	2007	£m	%	CER
		£m	£m		%
Customer numbers (000s)	370	312	58	18.6	18.6
Credit issued	67.4	58.1	9.3	16.0	8.1
Average net receivables	28.9	22.3	6.6	29.6	20.9
Revenue	48.4	38.8	9.6	24.7	16.2
Impairment	(17.2)	(18.4)	1.2	6.5	12.7
Revenue less impairment	31.2	20.4	10.8	52.9	42.0
Finance costs	(4.0)	(3.0)	(1.0)	(33.3)	(24.1)
Agent commission	(5.5)	(4.6)	(0.9)	(19.6)	(12.2)
Other operating costs	(30.4)	(26.1)	(4.3)	(16.5)	(9.5)
<b>Loss before taxation</b>	<b>(8.7)</b>	<b>(13.3)</b>	<b>4.6</b>	<b>34.6</b>	<b>37.4</b>

Loss before taxation analysed as:

	2008	2007	Change	Change	Change at
	£m	£m	£m	%	CER
					%
Puebla	(2.1)	(6.2)	4.1	66.1	67.6
Guadalajara	(0.9)	(1.9)	1.0	52.6	54.7
Head office	(5.7)	(5.2)	(0.5)	(9.6)	(4.9)
	<b>(8.7)</b>	<b>(13.3)</b>	<b>4.6</b>	<b>34.6</b>	<b>37.4</b>

Having improved credit quality in 2007, we were able to resume our focus on growth in 2008. As a result, customer numbers grew by 18.6% to 370,000 with significantly stronger growth in the second half of the year.

Credit issued increased by 8.1% to £67.4 million. This growth was slower than the growth in customer numbers because a higher proportion of credit was issued to new customers who receive smaller value loans. During 2008 we introduced slightly longer-term products (40 and 50 week loans) for better quality customers. This will subsequently drive stronger growth in credit issued and brings the product structure more closely into line with that in Central Europe.

The increase in customer numbers and credit issued resulted in strong growth in average net receivables and revenue which increased by 20.9% and 16.2% respectively.

Credit quality continues to improve and impairment as a percentage of revenue stands at 35.5% for the year ended 31 December 2008 compared with 47.4% in 2007.

Overall, revenue less impairment increased by 42.0% to £31.2 million.

Other operating costs in Mexico have increased by 9.5% compared with 2007, well below the growth in revenue.

In 2009 we expect revenue less impairment to continue to grow faster than costs allowing the country to report its maiden full year profit.

## **Romania**

	2008	2007	Change	Change	Change at
	£m	£m	£m	%	CER
					%
Customer numbers (000s)	85	33	52	157.6	157.6
Credit issued	33.5	9.2	24.3	264.1	244.1
Average net receivables	11.9	3.1	8.8	283.9	262.3
Revenue	15.5	3.9	11.6	297.4	274.9
Impairment	(4.0)	(0.5)	(3.5)	(700.0)	(667.9)
Revenue less impairment	11.5	3.4	8.1	238.2	218.2
Finance costs	(2.4)	(0.5)	(1.9)	(380.0)	(391.2)
Agent commission	(1.5)	(0.4)	(1.1)	(275.0)	(228.5)
Other operating costs	(15.4)	(6.7)	(8.7)	(129.9)	(118.5)
<b>Loss before taxation</b>	<b>(7.8)</b>	<b>(4.2)</b>	<b>(3.6)</b>	<b>(85.7)</b>	<b>(77.3)</b>

During the year we continued our branch roll-out in Romania and we now have 16 branches, up from 7 at the end of 2007. As a result, growth was rapid, with customer numbers rising from 33,000 to 85,000 and credit issued during the year reaching £33.5 million. Average net receivables and revenue almost quadrupled, to £11.9 million and £15.5 million respectively.

Credit quality remains good, with impairment as a percentage of revenue at 25.8%, which is in line with our expectations for a business at this stage of development.

Total costs also increased significantly as a result of the expansion in the branch network and growth in customer numbers and net receivables. This has resulted in increased losses for the year of £7.8 million. We expect a significant reduction in losses in 2009 as revenue per branch increases and the business is well placed to make a profit in 2010.

## International Personal Finance plc

### Consolidated income statement for the year ended 31 December

	Notes	Unaudited 2008 £m	Unaudited Pro forma <sup>†</sup> 2007 £m	Audited Statutory 2007 £m
Revenue**	3	557.1	409.8	409.8
Impairment	3	(127.2)	(83.2)	(83.2)
<b>Revenue less impairment</b>		<b>429.9</b>	326.6	326.6
Finance costs		(29.5)	(19.2)	(22.3)
Other operating costs		(111.8)	(81.6)	(81.6)
Administrative expenses		(218.3)	(175.7)	(175.7)
<b>Total costs</b>		<b>(359.6)</b>	(276.5)	(279.6)
<b>Profit before taxation</b>	3	<b>70.3</b>	50.1	47.0
Profit before taxation and exceptional demerger costs		70.3	50.1	49.8
Exceptional demerger costs	13	-	-	(2.8)
<b>Profit before taxation</b>		<b>70.3</b>	50.1	47.0
Total tax expense	4	(19.7)	(15.0)	(14.5)
<b>Profit after taxation attributable to equity shareholders</b>		<b>50.6</b>	<b>35.1</b>	<b>32.5</b>

### Earnings per share

	Notes	Unaudited 2008 pence	Unaudited Pro forma 2007 pence	Audited Statutory 2007 pence
Basic earnings per share	5	19.73	13.65	12.64
Diluted earnings per share	5	19.70	13.63	12.62

### Dividend per share

	Notes	Unaudited 2008 pence	Audited 2007 pence
Interim dividend (per share)	6	2.30	1.90
Final proposed dividend (per share)	6	3.40	2.85
		<b>5.70</b>	4.75

<sup>†</sup> A reconciliation between the pro forma and statutory consolidated income statements is provided in note 13

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

## Dividends paid

	Notes	Unaudited 2008 £m	Audited 2007 £m
Interim dividend of 2.30 pence per share (2007: 1.90 pence per share)	6	5.9	4.9
Final 2007 dividend of 2.85 pence per share	6	7.3	-
		<b>13.2</b>	4.9

## Consolidated statement of recognised income and expense for the year ended 31 December

	Unaudited 2008 £m	Unaudited Pro forma 2007 £m	Audited Statutory 2007 £m
Profit after taxation attributable to equity shareholders	50.6	35.1	32.5
Exchange gains on foreign currency translations	30.2	21.1	21.1
Net fair value (losses)/gains – cash flow hedges	(8.9)	1.4	1.4
Actuarial losses on retirement benefit asset/obligation	(3.3)	(2.0)	(2.0)
Tax credit on items taken directly to equity	3.4	0.1	0.1
Net income recognised directly in equity	21.4	20.6	20.6
<b>Total recognised income for the year</b>	<b>72.0</b>	<b>55.7</b>	<b>53.1</b>

## Consolidated balance sheet as at 31 December

	Notes	Unaudited 2008 £m	Audited 2007 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets		17.5	18.7
Property, plant and equipment	7	52.4	40.8
Retirement benefit asset		-	1.7
Deferred tax assets		37.5	27.8
		<b>107.4</b>	<b>89.0</b>
<b>Current assets</b>			
Amounts receivable from customers			
- due within one year		552.2	422.7
- due in more than one year		22.2	20.5
	8	<b>574.4</b>	<b>443.2</b>
Derivative financial instruments	10	1.7	0.7
Cash and cash equivalents		62.2	88.8
Trade and other receivables		19.2	9.0
		<b>657.5</b>	<b>541.7</b>
<b>Total assets</b>		<b>764.9</b>	<b>630.7</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank borrowings	9	(1.2)	(8.8)
Derivative financial instruments	10	(14.4)	(0.7)
Trade and other payables		(53.4)	(50.6)
Current tax liabilities		(2.5)	(5.0)
		<b>(71.5)</b>	<b>(65.1)</b>
<b>Non-current liabilities</b>			
Retirement benefit obligation		(1.5)	-
Bank borrowings	9	(433.1)	(362.0)
		<b>(434.6)</b>	<b>(362.0)</b>
<b>Total liabilities</b>		<b>(506.1)</b>	<b>(427.1)</b>
<b>Net assets</b>		<b>258.8</b>	<b>203.6</b>
<b>Shareholders' equity</b>			
Called-up share capital	11	25.7	25.7
Other reserves	11	23.4	5.3
Retained earnings	11	209.7	172.6
<b>Total equity</b>	11	<b>258.8</b>	<b>203.6</b>

## Consolidated cash flow statement for the year ended 31 December

	Unaudited 2008 £m	Audited 2007 £m
<b>Cash flows from operating activities</b>		
Cash generated from operations	65.7	45.1
Established businesses	105.5	71.2
Start-up businesses	(39.8)	(22.2)
Exceptional demerger costs	-	(3.9)
	<u>65.7</u>	<u>45.1</u>
Finance costs paid	(26.0)	(22.4)
Income tax paid	(23.9)	(29.7)
<b>Net cash generated from / (used in) operating activities</b>	<u>15.8</u>	<u>(7.0)</u>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(21.5)	(22.7)
Proceeds from sale of property, plant and equipment	3.6	5.9
Purchases of intangible assets	(3.2)	(5.1)
Acquisition of subsidiary	-	(2.4)
<b>Net cash used in investing activities</b>	<u>(21.1)</u>	<u>(24.3)</u>
<b>Net cash from operating and investing activities</b>		
Established businesses	45.9	7.3
Start-up businesses	(51.2)	(34.7)
Exceptional demerger costs	-	(3.9)
<b>Net cash used in operating and investing activities</b>	<u>(5.3)</u>	<u>(31.3)</u>
<b>Cash flows from financing activities</b>		
Repayment of external bank borrowings	(9.1)	(70.4)
Net movement in funding from Provident Financial plc	-	78.3
Capital contribution from Provident Financial plc	-	70.0
Purchase of shares by employee trust	(5.7)	-
Dividends paid to Company shareholders	(13.2)	(4.9)
<b>Net cash (used in) / generated from financing activities</b>	<u>(28.0)</u>	<u>73.0</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(33.3)</b>	41.7
Cash and cash equivalents at the beginning of year	88.8	44.5
Exchange gains on cash and cash equivalents	6.7	2.6
<b>Cash and cash equivalents at the end of year</b>	<u>62.2</u>	<u>88.8</u>

Certain companies within the Group are required to keep certain 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 31 December 2008 such cash and short-term deposits held by these companies amounted to £8.1 million (2007: £36.8 million).

## Reconciliation of profit after taxation to cash flows from operations

	Unaudited 2008 £m	Audited 2007 £m
Profit after taxation	50.6	32.5
Adjusted for:		
Tax expense	19.7	14.5
Finance costs	29.5	22.3
Share-based payment charge	2.1	3.5
Pension charge/(credit)	0.3	(3.6)
Depreciation of property, plant and equipment	13.4	9.6
Profit on sale of property, plant and equipment	(0.1)	(0.2)
Amortisation of intangible assets	4.4	3.4
Changes in operating assets and liabilities:		
Amounts receivable from customers	(40.9)	(63.5)
Trade and other receivables	(9.1)	7.2
Trade and other payables	(7.6)	19.8
Retirement benefit asset/obligation	(0.4)	(0.1)
Derivative financial instruments	3.8	(0.3)
<b>Cash generated from operations</b>	<b>65.7</b>	<b>45.1</b>

## **Notes to the financial information for the year ended 31 December 2008**

### **1. Basis of preparation**

This annual results announcement has been prepared in accordance with the Listing Rules of the Financial Services Authority and is based on the 2008 financial statements which have been prepared under International Financial Reporting Standards as adopted by the European Union (IFRS) and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

This annual results announcement, which is unaudited, does not constitute the statutory financial statements of the Group within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for the year ended 31 December 2008 upon which the auditors still have to report, will be delivered to the Registrar of Companies following the Company's annual general meeting. The statutory accounts for the year ended 31 December 2007 have been delivered to the Registrar and included an audit report which was unqualified and which did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

The annual results announcement has been agreed with the Group's auditors for release.

The accounting policies used in completing this financial information have been consistently applied in all periods shown. These accounting policies are detailed in the Group's financial statements for the year ended 31 December 2007 which can be found on the Group's website ([www.ipfin.co.uk](http://www.ipfin.co.uk)).

### **2. Related party transactions**

The Group has had no material related party transactions during the year ended 31 December 2008.

**Notes to the financial information for the year ended 31 December 2008  
(continued)**

**3. Segmental information**

**Geographical segments**

	<b>Unaudited 2008 £m</b>	Unaudited Pro forma 2007 £m	Audited Statutory 2007 £m
<b>Revenue</b>			
Central Europe	<b>493.2</b>	367.1	367.1
Mexico	<b>48.4</b>	38.8	38.8
Romania	<b>15.5</b>	3.9	3.9
	<b>557.1</b>	409.8	409.8
<b>Impairment</b>			
Central Europe	<b>106.0</b>	64.3	64.3
Mexico	<b>17.2</b>	18.4	18.4
Romania	<b>4.0</b>	0.5	0.5
	<b>127.2</b>	83.2	83.2
<b>Profit before taxation</b>			
Central Europe	<b>106.0</b>	80.6	79.3
UK – central costs	<b>(13.2)</b>	(12.5)	(11.6)
Established businesses	<b>92.8</b>	68.1	67.7
Mexico	<b>(8.7)</b>	(13.3)	(13.2)
Romania	<b>(7.8)</b>	(4.2)	(4.2)
Russia	<b>(6.0)</b>	(0.5)	(0.5)
Profit before exceptional demerger costs	<b>70.3</b>	50.1	49.8
Exceptional demerger costs	<b>-</b>	-	(2.8)
<b>Profit before taxation</b>	<b>70.3</b>	50.1	47.0

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

**4. Taxation**

The tax rate for the year is 28.0% (2007: pro forma rate of 29.9%, statutory rate of 30.9%).

The tax credit on the exceptional demerger costs in 2007 of £2.8 million was £0.4 million.

## Notes to the financial information for the year ended 31 December 2008 (continued)

### 5. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the statutory earnings attributable to shareholders of £50.6 million (2007: £32.5 million) by the weighted average number of shares in issue during the period of 256.5 million (2007: 257.2 million) which has been adjusted to exclude the weighted average number of shares held by the employee trust.

EPS is attributable to the following defined business units:

	<b>Unaudited 2008 pence</b>	Unaudited Pro forma 2007 pence	Audited Statutory 2007 pence
Central Europe	<b>29.74</b>	21.95	21.61
UK - central costs	<b>(3.70)</b>	(3.40)	(3.16)
Established businesses	<b>26.04</b>	18.55	18.45
Mexico	<b>(2.44)</b>	(3.62)	(3.60)
Romania	<b>(2.19)</b>	(1.14)	(1.14)
Russia	<b>(1.68)</b>	(0.14)	(0.14)
Exceptional demerger costs	-	-	(0.93)
<b>Basic EPS</b>	<b>19.73</b>	13.65	12.64

For diluted EPS, the weighted average number of shares has been adjusted to 256.9 million to take account of all potentially dilutive shares.

	<b>Unaudited 2008 pence</b>	Unaudited Pro forma 2007 pence	Audited Statutory 2007 pence
Basic EPS	<b>19.73</b>	13.65	12.64
Dilutive effect of options	<b>(0.03)</b>	(0.02)	(0.02)
<b>Diluted EPS</b>	<b>19.70</b>	13.63	12.62

### 6. Dividends

	<b>Unaudited 2008 £m</b>	Audited 2007 £m
Interim dividend of 2.30 pence per share (2007: 1.90 pence per share)	<b>5.9</b>	4.9
Final 2007 dividend of 2.85 pence per share	<b>7.3</b>	-
<b>Total dividend</b>	<b>13.2</b>	4.9

The directors are recommending a final dividend in respect of the financial year ended 31 December 2008 of 3.40 pence per share which will amount to a dividend payment of £8.6 million. If approved by the shareholders at the annual general meeting, this dividend will be paid on 22 May 2009 to shareholders who are on the register of members at 17 April 2009. This dividend is not reflected as a liability in the balance sheet as at 31 December 2008 as it is subject to shareholder approval.

**Notes to the financial information for the year ended 31 December 2008  
(continued)**

**7. Property, plant and equipment**

	<b>Unaudited 2008 £m</b>	Audited 2007 £m
Net book value at start of year	<b>40.8</b>	30.2
Exchange adjustments	<b>7.0</b>	3.2
Additions	<b>21.5</b>	22.7
Disposals	<b>(3.5)</b>	(5.7)
Depreciation	<b>(13.4)</b>	(9.6)
<b>Net book value at end of year</b>	<b>52.4</b>	40.8

**8. Amounts receivable from customers**

	<b>Unaudited 2008 £m</b>	Audited 2007 £m
Central Europe	<b>513.6</b>	415.0
Mexico	<b>38.1</b>	22.9
Romania	<b>22.7</b>	5.3
<b>Total receivables</b>	<b>574.4</b>	443.2

**9. Analysis of borrowings and facilities**

	<b>2008 Unaudited</b>		<b>2007 Audited</b>	
	<b>Borrowings £m</b>	<b>Facilities £m</b>	<b>Borrowings £m</b>	<b>Facilities £m</b>
Due in less than one year	<b>1.2</b>	<b>38.2</b>	8.8	34.3
Due between one and two years	<b>134.9</b>	<b>187.2</b>	-	-
Due between two and five years	<b>298.2</b>	<b>438.4</b>	362.0	516.9
	<b>433.1</b>	<b>625.6</b>	362.0	516.9
<b>Total borrowings</b>	<b>434.3</b>	<b>663.8</b>	370.8	551.2

## Notes to the financial information for the year ended 31 December 2008 (continued)

An analysis of performance compared with the covenants attached to the Group's borrowing facilities is set out below.

	<b>Unaudited 2008</b>	Audited 2007
Net assets must exceed £125m <sup>♦</sup>	<b>£273.0m</b>	£201.9m
Gearing must not exceed 3.75 times <sup>♦</sup>	<b>1.6</b>	1.8
Receivables must exceed 1.1 times borrowings	<b>1.3</b>	1.2
Interest cover must exceed 2 times	<b>3.5</b>	3.4

### 10. Derivative financial instruments

At 31 December 2008 the Group had net liabilities of £12.7 million (2007: £nil) in respect of derivative financial instruments comprising current assets of £1.7 million (2007: £0.7 million) and current liabilities of £14.4 million (2007: £0.7 million). Liabilities include £8.9 million in respect of interest rate swaps, designed to fix the rate of interest payable on Group borrowings. In accordance with IFRS, these have been recorded at their fair value. As the interest rate swaps are matched with borrowings, they qualify for hedge accounting in accordance with IFRS, and movements in the fair value are taken directly to reserves and do not impact the Group income statement.

A further liability of £3.8 million is included on the balance sheet in respect of the fair value of foreign currency contracts which are mainly held to fix the exchange rate on intercompany loans between International Personal Finance plc and two of its subsidiary undertakings. The movement in the fair value is taken to the Group income statement but is offset by an equal and opposite amount in respect of the re translation of intercompany balances. The net impact on the Group income statement is therefore nil.

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<sup>♦</sup> Adjusted for derivative and pension liabilities

<sup>♦</sup> Adjusted for derivative and pension liabilities

## Notes to the financial information for the year ended 31 December 2008 (continued)

### 11. Consolidated statement of changes in shareholders' equity for the year ended 31 December

	Audited				
	Called-up share capital £m	Other reserve £m	Other reserves <sup>δ</sup> £m	Retained earnings £m	Total £m
Balance at 1 January 2007	3.2	-	5.7	73.0	81.9
Exchange gains on foreign currency translations	-	-	21.1	-	21.1
Net fair value gains – cash flow hedges	-	-	1.4	-	1.4
Actuarial losses on retirement benefit asset/obligation	-	-	-	(2.0)	(2.0)
Tax (charge)/credit on items taken directly to equity	-	-	(0.4)	0.5	0.1
Net income/(expense) recognised directly in equity	-	-	22.1	(1.5)	20.6
Profit for the year	-	-	-	32.5	32.5
Total recognised income for the year	-	-	22.1	31.0	53.1
Increase in share capital	437.3	226.3	-	-	663.6
Capital reorganisation and reverse acquisition adjustment	(414.8)	(248.8)	-	-	(663.6)
Capital contribution	-	-	-	70.0	70.0
Share-based payment adjustment to reserves	-	-	-	3.5	3.5
Dividends paid	-	-	-	(4.9)	(4.9)
Balance at 31 December 2007	25.7	(22.5)	27.8	172.6	203.6
	Unaudited				
	£m	£m	£m	£m	£m
Balance at 1 January 2008	25.7	(22.5)	27.8	172.6	203.6
Exchange gains on foreign currency translations	-	-	30.2	-	30.2
Net fair value losses – cash flow hedges	-	-	(8.9)	-	(8.9)
Actuarial losses on retirement benefit asset/obligation	-	-	-	(3.3)	(3.3)
Tax credit on items taken directly to equity	-	-	2.5	0.9	3.4
Net income/(expense) recognised directly in equity	-	-	23.8	(2.4)	21.4
Profit for the year	-	-	-	50.6	50.6
Total recognised income for the year	-	-	23.8	48.2	72.0
Purchase of shares by employee trust	-	-	(5.7)	-	(5.7)
Share-based payment adjustment to reserves	-	-	-	2.1	2.1
Dividends paid	-	-	-	(13.2)	(13.2)
<b>Balance at 31 December 2008</b>	<b>25.7</b>	<b>(22.5)</b>	<b>45.9</b>	<b>209.7</b>	<b>258.8</b>

<sup>δ</sup> Includes foreign exchange reserve, hedging reserve and amounts paid to acquire shares by employee trust

**Notes to the financial information for the year ended 31 December 2008  
(continued)**

**12. Average and closing foreign exchange rates**

The table below shows the average exchange rates, including the impact of hedging, for the relevant reporting periods, closing exchange rates at the relevant period ends, together with the rates at which the Group has contracts in place for 2009.

	<b>Hedged 2009</b>	<b>Average 2008</b>	<b>Closing 2008</b>	<b>Average 2007</b>	<b>Closing 2007</b>
Poland	4.5	4.5	4.3	5.4	4.9
Czech Republic	29.1	32.9	27.9	39.6	36.0
Slovakia	33.1	40.9	31.5	48.5	45.7
Hungary	304.7	329.5	274.8	359.2	343.1
Mexico	n/a	21.3	20.1	21.8	21.7
Romania	n/a	4.7	4.2	4.9	4.9
Russia	47.5	45.4	42.5	n/a	n/a

## Notes to the financial information for the year ended 31 December 2008 (continued)

### 13. Pro forma adjustments

A reconciliation of the statutory result for the year ended 31 December 2007 to the pro forma result is presented below. The pro forma adjustments are required to show the results of the Group as if it had demerged from Provident Financial plc prior to 2007 and had always been a stand alone entity.

The pro forma adjustments do not form part of the Group's financial statements.

31 December 2007	Statutory £m	Demerger costs £m	Pro forma adjustments £m	Pro forma £m
Revenue	409.8	-	-	409.8
Impairment	(83.2)	-	-	(83.2)
<b>Revenue less impairment</b>	<b>326.6</b>	<b>-</b>	<b>-</b>	<b>326.6</b>
Finance costs	(22.3)	-	3.1	(19.2)
Other operating costs	(81.6)	-	-	(81.6)
Administrative expenses	(175.7)	2.8	(2.8)	(175.7)
Total costs	(279.6)	2.8	0.3	(276.5)
<b>Profit before taxation</b>	<b>47.0</b>	<b>2.8</b>	<b>0.3</b>	<b>50.1</b>
Analysed as:				
Central Europe	79.3	-	1.3	80.6
UK - central costs	(11.6)	-	(0.9)	(12.5)
Established businesses	67.7	-	0.4	68.1
Mexico	(13.2)	-	(0.1)	(13.3)
Romania	(4.2)	-	-	(4.2)
Russia	(0.5)	-	-	(0.5)
Exceptional demerger costs	(2.8)	2.8	-	-
<b>Profit before taxation</b>	<b>47.0</b>	<b>2.8</b>	<b>0.3</b>	<b>50.1</b>
Taxation	(14.5)	(0.4)	(0.1)	(15.0)
<b>Profit after taxation</b>	<b>32.5</b>	<b>2.4</b>	<b>0.2</b>	<b>35.1</b>

The exceptional demerger costs can be analysed as follows:

	2007 £m
IT separation costs	2.3
Defined benefit pension credit	(3.5)
Accelerated share-based payment charge	2.4
Other	1.6
	2.8
Taxation credit	(0.4)
	<b>2.4</b>

## Notes to the financial information for the year ended 31 December 2008 (continued)

The pro forma adjustments can be analysed as follows:

	2007 £m
Additional finance costs due to higher interest rates (note a)	(0.8)
Interest credit on capital contribution (note b)	1.9
Corporate office costs (note c)	(2.8)
Group interest payable (note d)	2.0
	0.3
Taxation credit	(0.1)
	<b>0.2</b>

The pro forma adjustments can be explained as follows:

- a) An adjustment has been included to increase finance costs to reflect the fact that the Group is subject to higher interest rates now that borrowings are no longer guaranteed by Provident Financial plc.
- b) As part of the demerger the Group received a capital contribution of £70.0 million from Provident Financial plc. This pro forma adjustment reflects the interest that would have been earned on this capital contribution had it been received prior to the start of 2007.
- c) An adjustment in respect of additional corporate office costs is included to reflect that as a stand alone entity with its own corporate office, the Group incurs additional costs compared with when it was a division of Provident Financial plc.
- d) While the Group was part of the Provident Financial plc group it was subject to certain interest charges that would not have been incurred if it was a stand alone entity. These interest charges have therefore been reversed.

## Notes to the financial information for the year ended 31 December 2008 (continued)

### 14. Principal risks

In accordance with the Disclosure and Transparency Rules, a description of the principal risks (and the mitigating factors in place in respect of these) is included below.

Strategic risk	Mitigation
<p><b>Economic downturn</b></p> <p>The condition of the economies in which we operate and in particular changes in general levels of unemployment is likely to have a significant impact on business performance.</p> <p>Customers may be less willing to borrow and less able to repay loans. Reduced demand, reduced revenue and increased impairment may result.</p>	<p>We have a resilient business model. Our loan book is short-term, on average just under six months repayments are outstanding, which means we can quickly change the risk-return profile of our lending, and our close customer relationships allow us to rapidly detect, and respond to, changes in customers' circumstances.</p> <p>Credit controls have been tightened, costs reduced and expansion plans in new markets put on hold in the short-term.</p>
<p><b>Competition</b></p> <p>Increased competition may reduce market share leading to increased costs of customer acquisition and retention or reduced credit issued, lower revenue and lower profitability.</p>	<p>There are few providers of home collected credit in our markets. Our distinctive operating model engenders high levels of customer satisfaction. Market research is continually undertaken to monitor satisfaction levels, identify usage of other financial products and monitor competitor activity. In addition, this risk has been reduced by diversification of customer acquisition channels, and less competition and reducing costs of media as a result of the economic downturn.</p>
<p><b>Business development</b></p> <p>Failure to effectively develop the business and achieve strategic aims because management resources, IT and operational systems or long-term funding prove inadequate or insufficient.</p>	<p>A formal talent development programme aimed at delivering sufficient high quality managers to meet future plans is in place. The Group has a clear strategy for the development of its IT systems and operational processes.</p> <p>The strategically important development of the Mexican business, proving the ability to bring a large market in a new continent into profit, is progressing well.</p>

## Notes to the financial information for the year ended 31 December 2008 (continued)

### 14. Principal risks (continued)

#### **Funding**

Insufficient liquid funds to meet the short-term or strategic requirements of the business. This is particularly relevant following the significant reduction in the general availability of bank and capital markets funding.

At extreme this could lead to a breach of banking covenants causing all outstanding facilities to fall due for repayment or the going concern status of the business being called into question.

#### **Counterparty risk**

The risk that a key supplier or operational partner ceases to operate.

Banks: Loss of funding lines or cash balances for withdrawal by agents to use in providing loans to customers are unavailable.

Other: Business failure of a counterparty such as an IT services outsourcer that causes significant disruption or impact on our ability to operate.

The business is well capitalised with equity representing 45.1% of net customer receivables. At 31 December 2008 there was headroom of £229.5 million on £663.8 million of syndicated and bilateral banking facilities, of which £422.8 million were extended in October 2008 to October 2011. The remainder expires with various maturing dates before then, the bulk expiring in March 2010.

This is forecast to be sufficient bank funding to meet the requirements of the existing markets through to October 2011 but insufficient to allow entry into new territories or the roll-out of operations in the Russian market.

We will work to secure additional funding.

Cash is held only with A3 rated financial institutions. Institutions with lower credit ratings can only be used with full board approval.

There are regular risk assessments of other key counterparties.

All of the banks who provide us with funding or other services have continued to function.

## Notes to the financial information for the year ended 31 December 2008 (continued)

### 14. Principal risks (continued)

#### Currency risk

Reported results and related assets and liabilities are at risk of adverse exchange rate fluctuations.

Earnings are adversely affected by currency movements.

The foreign exchange rates used to translate the majority of reported earnings within a financial reporting period are hedged.

No loans are issued in a currency other than the functional currency of the relevant market.

Funds are borrowed in, or swapped into, the same local currencies as customer net receivables so far as possible. Currently, the capital markets in Romania are not operating effectively with the result that the receivables in this market are partly funded in equity from the Parent Company which is denominated in Sterling.

#### Tax risk

Adverse changes in, or conflicting interpretations of, the different countries' tax legislation and practice may lead to an increase in the Group's taxation liabilities and effective tax rate.

External professional advice for all material transactions is taken and supported by strong internal tax experts both in-country and in the UK.

Where possible, tax treatments are agreed in advance with relevant authorities.

#### Financial services regulation and legislation

Changes to the regulation of credit or the sale of credit by intermediaries or other laws may impact the operation of the business and/or result in higher costs.

Breaches of regulation may result in fines or the withdrawal of operating licences.

We foster open relationships with regulatory bodies and closely monitor developments in all markets in which the business operates, and in respect of the EU as a whole.

We work proactively with opinion formers to ensure the businesses are well understood. This is facilitated by membership of the British Chamber of Commerce and/or relevant local trade bodies along with the Consumer Credit Association in the UK.

We operate a legal affairs committee to oversee legal risks across the Group and take external legal advice to ensure we remain compliant.

## Notes to the financial information for the year ended 31 December 2008 (continued)

### 14. Principal risks (continued)

#### **Risk to reputation**

Our good reputation is adversely affected by ill-informed comment or malpractice. Damage to our brand and customer satisfaction ratings reduces customer demand.

We have an established corporate social responsibility programme. This includes continued investment in community initiatives to foster good relations with customers and the areas in which they live along with the implementation of the FSA's Treating Customers Fairly principles.

We have clear operating guidelines to ensure consistency and compliance with Group values.

An active communications programme is in place to foster a better understanding of the Group's products.

#### **Credit risk**

The failure to respond appropriately to changes in the credit risk profile of our target market and existing customer base.

We have effective credit management systems in place for evaluating and controlling the risk from lending to new and existing customers. This is supplemented by the weekly contact between our agents and customers allowing a regular assessment of credit risk. Our agents are incentivised to collect not lend.

Performance not optimised through failure to lend to good quality customers.

Credit controls were tightened in October 2008 in anticipation of the impact of the downturn in world economies.

Increased impairment impacts profitability and staff and agent engagement leading to increased turnover.

#### **Service disruption**

Day to day operations disrupted in the event of damage to, or interruption or failure of, information and communication systems.

Robust business continuity process, procedures and reporting framework in place to enable us to continue trading in the event of such an occurrence. These are regularly tested and reviewed.

Failure to provide quality service to customers and loss of data.

Continuous investment in, and development of, IT platforms.

Disruption of activities increases costs or reduces potential net revenues.

## Notes to the financial information for the year ended 31 December 2008 (continued)

### 14. Principal risks (continued)

#### **Health and safety**

The failure to provide an appropriate working environment to our staff and agents.

Staff and agents have safety concerns that impact engagement and productivity.

Health and safety policies in place.

Formal safety guidance provided to staff and agents as part of induction programme together with ongoing safety awareness refreshers.

## **Information for shareholders**

1. The shares will be marked ex-dividend on 15 April 2009.
2. The final dividend, which is subject to shareholder approval, will be paid on 22 May 2009 to shareholders on the register at the close of business on 17 April 2009. Dividend warrants/vouchers will be posted on 20 May 2009.
3. A dividend reinvestment scheme is operated by Capita Registrars. For further information contact them at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (telephone 0871 664 0300 – calls cost 10 pence per minute plus network extras).
4. The Annual Report and Financial Statements 2008, the notice of the annual general meeting and a proxy card will be posted on Friday 3 April 2009 to shareholders who have elected to continue receiving documents from the Company in hard copy form. All other shareholders will be sent a proxy card and a letter explaining how to access the documents on the Company's website from Monday 6 April 2009.
5. The annual general meeting will be held at 10.30 am on Wednesday 13 May 2009 at International Personal Finance plc, Number Three, Leeds City Office Park, Meadow Lane, Leeds, LS11 5BD.

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