International Personal Finance

Consolidated Half-year Financial Report

for the period ended 30 June 2021

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Notes

This report has been prepared to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The report should not be relied on by any other party or for any other purpose. The report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, as well as any forward-looking information. Percentage change figures for all performance measures, other than profit / (loss) before taxation and earnings / (loss) per share, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate (CER) for H1 2021 to present the performance variance.

International Personal Finance plc
Consolidated Half-year Financial Report for the period ended 30 June 2021
Management Board Report
Principal activity
International Personal Finance plc specialises in providing unsecured consumer credit to 1.7 million customers across 11 markets. We operate the world's largest home credit business and a fintech operator, IPF Digital.

Financial and operational highlights

- **Significantly improved financial performance and dividend restored**
  - Group profit before tax of £43.3 million and all divisions profitable (H1 2020: Loss of £53.3m)
  - Proposed interim dividend of 2.2 pence per share (H1 2020: Nil)

- **Robust trading performance**
  - Very good progress made in rebuilding the business and serving our customers safely
  - Successful strategy of selectively relaxing credit settings delivered 25% increase in credit issued year on year, with Q2 15% ahead of Q1
  - Closing receivables increased by 5% (at CER) since the 2020 year end
  - Significant improvement in impairment as a percentage of revenue to 13.7% (FY 2020: 37.4%) enabled by continued strong collections performance
  - Cost saving benefits from 2020 rightsizing programme delivered – Other costs £13.4 million lower year on year

- **Strong funding position and well capitalised balance sheet**
  - Equity to receivables ratio 53.8% at 30 June 2021
  - Bond and bank facilities total £596 million to support future growth
  - Undrawn facilities and non-operational cash balances of £173 million

Group key statistics	H1 2020	**H1 2021**	YOY change at CER
Customer numbers (000s)	1,818	**1,679**	(7.6%)
Credit issued (£m)	378.2	**459.5**	25.1%
Revenue (£m)	362.2	**262.9**	(25.4%)
Annualised impairment % revenue	37.5%	**13.7%**	23.8 ppts
Annualised cost-income ratio	44.3%	**53.8%**	(9.5 ppts)
Statutory (LBT) / PBT (£m)	(53.3)	**43.3**	
Statutory (LPS) / EPS (pence)	(27.7)	**10.3**	
Half-year dividend per share (pence)	-	**2.2**	

Gerard Ryan, Chief Executive Officer at IPF commented:
"Our business plays a very important role in society by providing credit responsibly to those who are underbanked or underserved and, against a challenging backdrop of frequently changing lockdown restrictions, our teams have worked hard to serve our customers safely and rebuild our business. I am very pleased to report a significantly improved financial performance, with the Group delivering £43.3 million profit in the first half of the year. Demand for credit is beginning to recover in our segment and we are well positioned to meet the significant longer-term demand for affordable credit from the consumers we serve and deliver long-term value to our stakeholders. Based on our rapid and sustainable return to profitability and the undoubted strength of our balance sheet, the Board has recommended a resumption of dividend payments to shareholders."

Market overview and Covid-19 response strategy

The early part of the year was affected by the third wave of the Covid-19 pandemic as infection rates increased rapidly and significantly, particularly throughout our European markets, impacting our customers, our people and operations. Governments imposed sweeping restrictions on freedom of movement and social distancing rules were in place in most of our operating countries. Other than businesses deemed to be essential, most retail outlets were closed for periods of time and governments continued to encourage employees to work remotely wherever possible. Together, these challenges resulted in suppressed demand for consumer credit, particularly in Q1 and early Q2. As vaccination rates began to increase and infection rates fell, lockdown restrictions were eased and we saw improving levels of demand over the course of Q2. Current forecasts for our markets published by Citigroup and the EU Commission, indicate a rebound in GDP growth from -3% to -5% in 2020 to +3% to +5% in 2021 and 2022. While there is a degree of uncertainty ahead, our expectation is that these conditions will continue to support growth in demand for consumer credit in our markets. Although consumer finance continues to be a very competitive industry across all our countries, following a number of business exits, we expect there to be fewer competitors supplying credit to our market segment in the near term.

Our business has also been directly impacted by three significant temporary Covid-19 related regulations since April 2020. The Polish government initially introduced a reduced cap on non-interest costs of new lending until 8 March 2021, and in January this was extended until 30 June 2021. This temporary regulation has now expired. The temporary debt repayment moratorium in Hungary, due to expire on 30 June 2021 has been extended until 30 September 2021. As previously reported, borrowers can opt-out of this moratorium if they wish to continue to repay their loans and a significant majority of our customers have chosen to do so. A separate temporary reduction of the APR cap in Hungary which was in place from April 2020 reverted to the pre-Covid cap at the start of this year.

Protecting our people and customers remains our top priority and we continue to provide personal protective equipment and appropriate training to all of our colleagues, and maintain a range of remote alternative repayment options if agents are unable to visit their customers.

Group performance

We are pleased to report that the Group continued to effectively execute its strategy to rebuild the business and return to full-year profitability and long-term growth. Building on the momentum achieved in the second half of 2020, we delivered a robust trading performance in H1 despite the challenging operational landscape caused by the ongoing Covid-19 pandemic. Our focus on rebuilding the business delivered a significant improvement in the Group's financial performance, with first-half profit before taxation of £43.3 million. This very positive result was driven by a combination of lower impairment charges resulting from strong collections, very good new business credit quality and cost reductions, all of which more than offset lower revenue resulting from the smaller portfolio. The result comprised profit before tax of £24 million in Q1 and £19.3 million in Q2. The slight reduction in reported Q2 profit was a result of increased investment to deliver growth, the tailing off of Covid-19 impairment provision releases, and higher levels of IFRS 9 up-front impairment as we increased the amount of credit issued.

	H1 2020	**H1 2021**	Change	Change	Change at CER
	£m	**£m**	£m	%	%
Customer numbers (000s)	1,818	**1,679**	(139)	(7.6)	(7.6)
Credit issued	378.2	**459.5**	81.3	21.5	25.1
Average net receivables	862.9	**656.9**	(206.0)	(23.9)	(22.0)
Revenue	362.2	**262.9**	(99.3)	(27.4)	(25.4)
Impairment	(182.2)	**(11.7)**	170.5	93.6	93.5
Net revenue	180.0	**251.2**	71.2	39.6	45.1
Finance costs	(27.3)	**(25.8)**	1.5	5.5	3.4
Agents' commission	(36.3)	**(32.3)**	4.0	11.0	7.7
Other costs	(163.2)	**(149.8)**	13.4	8.2	6.3
Pre-exceptional (loss) / profit before taxation	(46.8)	**43.3**	90.1	192.5	
Exceptional items	(6.5)	**-**	6.5	100.0	
(Loss) / profit before taxation	(53.3)	**43.3**	96.6	181.2	

The improved year-on-year profit performance was reflected across all our business divisions, each of which was profitable in the first half of 2021.

	HY 2020	**HY 2021**
	£m	**£m**
European home credit	(22.7)	**34.9**
Mexico home credit	(8.4)	**9.4**
IPF Digital	(8.8)	**6.1**
Central costs	(6.9)	**(7.1)**
Pre-exceptional (loss) / profit before tax	(46.8)	**43.3**

Group collections performance remained strong throughout the first half of the year and this, combined with the improving macroeconomic backdrop and our confidence in the quality of the portfolio, supported our continued easing of credit settings. These changes helped us to deliver credit issued growth of 25% in H1. Within this period, we reported a significant step up in credit issued from £214 million in Q1, when the third wave of the pandemic suppressed demand, to £245 million in Q2 as restrictions were eased and consumer appetite for credit began to increase. The decision to support agent incomes during the pandemic also continued to deliver benefits as it helped us to retain our specialist workforce, maintain customer relationships and drive growth in our home credit operations.

Although customer numbers contracted year on year by 8%, increasing demand from April onwards saw customer numbers grow by 19,000 in Q2. Year on year, average net receivables reduced by 22% in H1 and 12% in Q2. This reduction resulted in a 25% contraction in revenue in H1, although the rate slowed from 31% in Q1 to 19% in Q2.

The success of our strategy to rebuild the loan portfolio through carefully easing credit settings and capturing recovering demand is illustrated by the 5% increase in the period end receivables since the 2020 year end (at CER) to £674 million. All the receivables growth was delivered in Q2, demonstrating the strong rebound in credit issued as Covid restrictions were eased and demand started to recover. Looking ahead, with the increasing success of vaccination programmes in our European markets, we expect to deliver further growth in both credit issued and the size of our receivables portfolio in the second half of the year.

Although we planned for a weakening in collections performance arising from subsequent waves of the pandemic in the first half of 2021, we are pleased to report that our teams continued to deliver a very strong operational performance, resulting in a significantly lower than anticipated impairment charge of £11.7 million in H1, which includes the benefit of Covid-19 discounting and expected credit loss provisions releases totalling £20 million. The H1 charge comprised £4.6 million in Q1 and £7.1 million in Q2, the increase being driven by reduced Covid-19 provision releases and higher levels of up-front IFRS 9 impairment resulting from our increased level of sales. The performance of the receivables portfolio issued since June 2020, which was largely granted under tighter than normal credit settings, has also been better than predicted by our impairment models and this had a further positive impact on our impairment charge. In addition, the annualised impairment charge in each reporting segment benefited from the Covid-19 impairment booked in H1 2020 dropping out from the annualised calculation. Taken together, these factors resulted in a faster-than-anticipated improvement in impairment as a percentage of revenue, with the annualised rate reducing by 23.7 ppts since the 2020 year end to 13.7%. We expect impairment as a percentage of revenue to remain below our target range of 25% to 30% in 2021 before increasing in 2022 as we continue to rebuild the business.

In 2020 we implemented significant cost saving and rightsizing programmes to reflect the smaller scale of our operations and to accelerate a return to full-year profitability in 2021. We are now seeing the benefits of these decisions and, together with continued tight cost control, we were able to reduce Other costs year on year by £13.4 million (6% at CER). The reduction was skewed to Q1 as the 2020 comparatives from Q2 onwards included the early benefits of our restructuring programmes. Driven by the near two thirds cut in new business volumes in Q2 2020 compared to the increased investment to drive sales in Q2 2021, Other costs increased year on year by 13% in Q2. Finance costs reduced by 3% due to the lower average borrowing requirements resulting from the contraction in the scale of the receivables portfolio, partially offset by higher funding costs on the 2025 Eurobond.

Strategy

We play a very important role in society, providing affordable finance responsibly to underbanked and underserved consumers. Our strategy centres on delivering a positive customer experience and an expanded product range across all our businesses, recapturing growth as consumer demand increases in each of our markets. Our European home credit businesses are successfully rebuilding their portfolios, profitability and returns. Mexico home credit and IPF Digital continue to have opportunities to grow significantly in the coming years, all of which will enable us to deliver progressive returns to our shareholders. The first step in this journey is the recommencement of dividend payments at H1 2021.

For the remainder of 2021 we will continue to focus on rebuilding the receivables portfolio by progressively increasing credit issued in each of our businesses and we continue to believe that there will be lower levels of supply of credit in our markets over the next few years. Beyond a strong return to full-year profitability, we plan to use our digital expertise combined with our market-leading positions and unrivalled knowledge of our core customer segment to enhance our product proposition for customers and deliver longer-term growth across the Group. As a result, we expect to be uniquely positioned to meet the needs of underserved consumers in our segment.

Business division performance review
As highlighted at the 2020 year end, we merged our two digital businesses in Poland in order to deliver efficiencies of scale and, as a result, the digital lending arm previously reported as part of European home credit is now included in IPF Digital. All comparatives have been amended accordingly and are presented on a like-for-like basis.

European home credit
Our European home credit businesses delivered a robust performance in H1 and profit before tax increased to £34.9 million against a challenging trading backdrop as the third wave of the pandemic impacted this region. This result was driven by a significant reduction in impairment alongside cost savings, partially offset by the smaller business scale, and comprised profit before tax of £17.4 million in Q1 and £17.5m million in Q2.

	H1 2020	**H1 2021**	Change	Change	Change at CER
	£m	**£m**	£m	%	%
Customer numbers (000s)	850	**808**	(42)	(4.9)	(4.9)
Credit issued	201.4	**288.0**	86.6	43.0	47.5
Average net receivables	483.2	**388.6**	(94.6)	(19.6)	(17.2)
Revenue	184.9	**140.1**	(44.8)	(24.2)	(21.8)
Impairment	(87.9)	**9.0**	96.9	110.2	110.5
Net revenue	97.0	**149.1**	52.1	53.7	59.1
Finance costs	(16.3)	**(15.8)**	0.5	3.1	0.6
Agents' commission	(25.3)	**(21.6)**	3.7	14.6	11.5
Other costs	(78.1)	**(76.8)**	1.3	1.7	(0.7)
Pre-exceptional (loss) / profit before taxation	(22.7)	**34.9**	57.6	253.7	

Our improved collections effectiveness during the second half of 2020 enabled the continued implementation of our strategy to carefully ease credit settings and rebuild the receivables portfolio. This resulted in a significant improvement in sales momentum through the period and, notwithstanding weaker comparators year on year, it is pleasing to report that credit issued increased by 48% in H1, with Q2 credit issued 13% higher than Q1. Customer numbers reduced year on year by 5% to 808,000, but as lockdown restrictions eased and demand increased we were able to serve more customers and, as a result, customer numbers were broadly flat in Q2. Year on year, average net receivables reduced by 17% in H1 and 6% in Q2. However, as our rebuild strategy gained momentum, we delivered an 8% (at CER) increase in period end receivables since December 2020 to £406 million. This receivables growth was largely delivered in Q2.

Our collections performance remained strong during the first half despite planning for some reductions in effectiveness. This, together with the unwinding of Covid-19 impairment provisions booked in 2020 and higher quality lending, resulted in annualised impairment as a percentage of revenue improving by 26.4 ppts since the 2020 year end to 9.2%. Other costs were broadly flat in the first half of the year with a cost reduction in Q1 being offset by a 28% year-on-year increase in Q2. This latter increase was driven by the much lower Q2 2020 comparatives that arose from the Covid-19 cost reduction programme together with a modest increase in costs to fund higher credit issuance.

Our focus for the remainder of 2021 will be to rebuild scale in our European home credit operations. We will continue to grow credit issued and rebuild the receivables portfolio while maintaining robust collections, credit quality and strong cost control.

Mexico home credit

Mexico home credit reported a £17.8 million increase in profit before taxation year on year to £9.4 million. This significantly improved performance comprised profit before tax of £4.9 million in Q1 and £4.5 million in Q2, and was driven primarily by a reduction in impairment and a lower cost base, partially offset by a reduction in the scale of the business.

	H1 2020 £m	**H1 2021 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	670	**624**	(46)	(6.9)	(6.9)
Credit issued	72.3	**87.5**	15.2	21.0	29.6
Average net receivables	119.0	**95.1**	(23.9)	(20.1)	(16.4)
Revenue	91.0	**64.9**	(26.1)	(28.7)	(25.8)
Impairment	(45.1)	**(8.5)**	36.6	81.2	81.4
Net revenue	45.9	**56.4**	10.5	22.9	34.6
Finance costs	(4.3)	**(3.1)**	1.2	27.9	24.4
Agents' commission	(11.0)	**(10.7)**	0.3	2.7	(0.9)
Other costs	(39.0)	**(33.2)**	5.8	14.9	11.9
Pre-exceptional (loss) / profit before taxation	(8.4)	**9.4**	17.8	211.9	

Our focus on collections and the impact of tighter credit settings resulting from significant continued Covid-19 challenges led to a 7% contraction in customer numbers year on year to 624,000, however increased demand for credit from April onwards resulted in customer growth of 21,000 in Q2. Credit issued increased by 30% year on year, with Q2 20% higher than Q1. Year on year, average net receivables reduced by 16% in H1 due to lower credit issued in 2020 and incremental impairment provisions, and grew by 2% in Q2. This contraction resulted in a 26% reduction in revenue, the rate of which reduced to 16% in Q2. Our focus on rebuilding the business delivered a 13% (at CER) increase in period end receivables since December 2020 to £100 million at the end of Q2. Closing receivables growth in Q2 was 9% (at CER).

The benefits of actions taken to improve collections and credit quality in Mexico during the past two years continued to flow through the business, and together with the unwinding of Covid-19 impairment provisions booked in 2020, resulted in annualised impairment as a percentage of revenue improving by 21.1 ppts since the 2020 year end to 12.6% in H1 2021. This ratio is now well below our target range for the Group of 25% to 30% and we expect it to increase during the remainder of the year as trading conditions normalise. We continued to manage costs tightly maintaining the benefits of cost savings achieved in 2020 and delivering a 12% reduction in Other costs year on year, and 5% in Q2.

Our strategy is focused on maintaining the improvements made in operational execution and returning the business to sustainable growth. We will continue to ease credit settings and rebuild the receivables portfolio, which will result in an increase in the very low impairment charge reported in the first half, while maintaining tight control of the cost base. The digital transformation of the business will also continue. The roll-out of the collections functionality of our MyProvi agent app is now complete with additional functionality to be introduced this year and next, all of which will further improve cost efficiency.

IPF Digital

IPF Digital reported a £14.9 million improvement in profit before tax to £6.1 million driven by significantly improved impairment and a reduction in costs, offset partially by lower revenue. This improved performance comprised profit before tax of £4.9 million in Q1 and £1.2 million in Q2.

	H1 2020 £m	**H1 2021 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	298	**247**	(51)	(17.1)	(17.1)
Credit issued	104.5	**84.0**	(20.5)	(19.6)	(19.6)
Average net receivables	260.7	**173.2**	(87.5)	(33.6)	(33.0)
Revenue	86.3	**57.9**	(28.4)	(32.9)	(32.6)
Impairment	(49.2)	**(12.2)**	37.0	75.2	74.8
Net revenue	37.1	**45.7**	8.6	23.2	21.9
Finance costs	(6.7)	**(6.9)**	(0.2)	(3.0)	(3.0)
Other costs	(39.2)	**(32.7)**	6.5	16.6	16.2
Pre-exceptional (loss) / profit before taxation	(8.8)	**6.1**	14.9	169.3	

Consumer appetite for credit, suppressed in Q1 by pandemic-related restrictions, began to increase in the second quarter as these restrictions were relaxed. The relatively soft consumer demand earlier in the year, our continued cautious credit settings in Spain and the cessation of lending in Finland resulted in a 17% reduction in customers to 247,000. Excluding the reduction in customers in Finland, customer numbers increased by around 4,000 during Q2. These factors also impacted credit issued which, year on year, contracted by 20% in H1, with Q2 credit issued 19% higher than Q1. Excluding Finland, where the portfolio collect-out is progressing well, credit issued increased year on year by 1%. Average net receivables reduced by 33% in H1 and 29% in Q2, with revenue contracting at a similar rate in the first half and by 25% in Q2.

Our collections performance continued to be strong, driven by higher-quality lending and robust collections processes, which resulted in a 19.3ppt improvement in annualised impairment as a percentage of revenue from 45.4% at the 2020 year end to 26.1%. Costs continue to be tightly managed and reduced 16% year on year, driven mainly by the benefits of our rightsizing exercise in 2020, lower marketing expenditure and other volume-related costs. Costs increased by 6% in Q2 compared with Q1, driven by a combination of higher spend to support growth with the 2020 comparatives including the benefit of the significant cost reduction programme delivered last year.

The pre-exceptional profitability of IPF Digital is segmented as follows:

	H1 2020 £m	**H1 2021 £m**	Change £m	Change %
Established markets	7.0	**11.2**	4.2	60.0
New markets	(9.2)	**0.6**	9.8	106.5
Head office costs	(6.6)	**(5.7)**	0.9	13.6
IPF Digital	(8.8)	**6.1**	14.9	169.3

Established markets

The established markets delivered a £4.2 million increase in profit before tax to £11.2 million, driven by lower impairment and a reduction in costs, partially offset by lower net revenue arising from a contraction in our portfolio. This improved performance comprised profit before tax of £7.3 million in Q1 and £3.9 million in Q2.

	H1 2020	**H1 2021**	Change	Change	Change at CER
	£m	**£m**	£m	%	%
Customer numbers (000s)	136	**102**	(34)	(25.0)	(25.0)
Credit issued	54.8	**30.4**	(24.4)	(44.5)	(44.8)
Average net receivables	128.9	**87.3**	(41.6)	(32.3)	(31.9)
Revenue	37.4	**25.5**	(11.9)	(31.8)	(31.5)
Impairment	(15.0)	**(1.3)**	13.7	91.3	91.2
Net revenue	22.4	**24.2**	1.8	8.0	7.6
Finance costs	(3.5)	**(3.5)**	-	-	-
Other costs	(11.9)	**(9.5)**	2.4	20.2	19.5
Pre-exceptional profit before taxation	7.0	**11.2**	4.2	60.0	

Customers and credit issued contracted year on year by 25% and 45% respectively, as a result of tighter credit settings introduced in response to Covid-19 together with our decision to cease lending in Finland and collect out the portfolio. Recognising weaker comparatives, credit issued in Q2 contracted by just 7% as we responded to growing demand when lockdown restrictions began to ease. Average net receivables contracted year on year by 32% (Q2: contraction of 30%) due to the lower credit issued and this resulted in a similar reduction in revenue for both the H1 and Q2 periods. Excluding Finland, the contraction in average net receivables and revenue in the first half was significantly lower at 18% and 19% respectively.

Good collections, the benefit of debt sales and lower levels of credit issued resulted in a lower impairment charge in the period and a 17.2 ppt improvement in annualised impairment as a percentage of revenue to 11.4% since the year end. Continued tight management of costs and the benefit of the 2020 rightsizing programme resulted in a 20% reduction in costs year on year, predominantly in Q1 as costs in Q2 were broadly flat year on year.

New markets

The new markets delivered profit before tax of £0.6 million, an increase of £9.8 million in the period, with a reduction in the cost base and improved credit quality partially offset by the impact of smaller scale. This improved performance comprised profit before tax of £0.3 million in both Q1 and Q2.

	H1 2020 £m	**H1 2021 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	162	**145**	(17.0)	(10.5)	(10.5)
Credit issued	49.7	**53.6**	3.9	7.8	8.5
Average net receivables	131.8	**85.9**	(45.9)	(34.8)	(34.2)
Revenue	48.9	**32.4**	(16.5)	(33.7)	(33.5)
Impairment	(34.2)	**(10.9)**	23.3	68.1	67.7
Net revenue	14.7	**21.5**	6.8	46.3	43.3
Finance costs	(3.2)	**(3.4)**	(0.2)	(6.3)	(6.3)
Other costs	(20.7)	**(17.5)**	3.2	15.5	15.0
Pre-exceptional (loss) / profit before taxation	(9.2)	**0.6**	9.8	106.5	

Customer numbers reduced year on year by 11% to 145,000, however, growth recommenced in Q2 with customer numbers increasing by 6,000. As lockdown restrictions eased and demand from consumers increased, we relaxed credit settings which resulted in credit issued growth of 9% in H1, with Q2 credit issued 11% higher than Q1. Both average net receivables and revenue reduced by 34% in the first half. In Q2, average net receivables contracted by 29% and the rate of revenue contraction reduced to 21%.

Credit quality continued to improve driven by tighter credit settings and good collections which, together with the lower credit issued, resulted in a 20.5ppt improvement in impairment as a percentage of revenue since the 2020 year end to 39.6%. Other costs reduced by 15% year on year in H1 and 14% in Q2, driven by the benefits of the rightsizing exercise in 2020.

IPF Digital continues to offer excellent long-term growth opportunities. In H2, we will continue to progressively rebuild the receivables portfolio and accelerate new customer growth, particularly in our new markets. We also plan to expand our mobile wallet offering in Latvia, leverage the benefits of merging our two digital businesses in Poland and deliver a successful collect-out of our business in Finland.

Taxation
The taxation charge on profit for the first half of 2021 (£20.4 million) is based on an expected effective tax rate for the full year of approximately 47%.

With regard to the European Commission's State Aid challenge to the UK's Group Financing Exemption regime, following the enactment of new legislation in December 2020, HMRC issued a Charging Notice seeking payment of £14.2 million in respect of the alleged State Aid for the affected years. The payment of this amount is a procedural matter, and the new law does not allow for postponement. Accordingly, this amount was paid in February 2021 and we appealed the Charging Notice on the grounds of the quantum assessed. Whether the UK's Group Financing Exemption regime constitutes State Aid is ultimately to be decided and we continue to await a decision of the General Court of the European Union on this matter. The £14.2 million paid is held on the balance sheet as a non-current tax asset reflecting the Directors' judgement that it is more likely than not that the amount will ultimately be repaid. This judgement is based on legal advice received on the strength of the technical position included in IPF's annulment application. Further details are set out at note 22.

Funding and balance sheet
We continue to maintain a well-capitalised balance sheet, a strong funding position and robust financial risk management. At 30 June 2021, the equity to receivables ratio was 53.8% (31 December 2020: 55.4%) and the gearing ratio was 1.3x (31 December 2020: 1.4x).

As at 30 June 2021, the Group had total debt facilities of £596 million (£410 million of bonds and £186 million of bank facilities) and borrowings of £472 million, with undrawn facilities and non-operational cash balances of £173 million. Total cash balances at 30 June 2021 were £100 million and include £56 million that was not required for operational purposes but is available to drive receivables growth that is anticipated in the second half of the year and beyond.

Dividend
The Board has considered the Group's trading performance in the first half of the year, the outlook for the full year and the strength of the balance sheet, and is pleased to declare an interim dividend of 2.2 pence per share. The interim dividend will be paid on 1 October 2021 to shareholders on the register at the close of business on 3 September 2021. The shares will be marked ex-dividend on 2 September 2021. The deadline to elect for the Dividend Reinvestment Plan (DRIP) is 10 September 2021. As at the date of this report, 223,196,486 ordinary shares are authorised to receive the dividend with a total dividend payment of £4,910,322.69.

Outlook
Our business plays an essential role in society, providing credit responsibly to those who are underbanked or underserved, and there remains significant long-term demand for affordable credit from this group of consumers in all our markets. Our strategy is to build on the positive momentum generated in the first six months of 2021 by continuing to serve our customers safely, increasing credit issued and growing the receivables portfolio while maintaining a clear focus on portfolio quality. Although the Covid-19 environment remains dynamic, we have proven the resilience of the business model and expect to continue to deliver a strong rebound in full-year profitability in 2021.

For details relating to the opportunities and risks facing the business, see pages 23 to 27.

Alternative performance measures

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

Financial Highlights – additional information in accordance with the Warsaw Stock Exchange listing

	£'m		PLN'm		EUR'm	
	1 Jan-30 Jun 2021 Unaudited	1 Jan-30 Jun 2020 Unaudited	**1 Jan-30 Jun 2021 Unaudited**	1 Jan-30 Jun 2020 Unaudited	**1 Jan-30 Jun 2021 Unaudited**	1 Jan-30 Jun 2020 Unaudited
Revenue	**262.9**	362.2	**1,380.1**	1,829.0	**303.5**	412.0
Profit before tax	**43.3**	(53.3)	**227.3**	(269.1)	**50.0**	(60.6)
Profit after tax	**22.9**	(61.5)	**120.2**	(310.6)	**26.4**	(70.0)
Net cash generated from operating activities	**13.7**	123.8	**71.9**	625.1	**15.8**	140.8
Net cash used in investing activities	**(4.6)**	(8.1)	**(24.1)**	(40.9)	**(5.3)**	(9.2)
Net cash used in financing activities	**(23.0)**	(52.5)	**(120.7)**	(265.1)	**(26.6)**	(59.7)
Net change in cash and cash equivalents	**(13.9)**	63.2	**(73.0)**	319.1	**(16.0)**	71.9
Earnings per share (pence)	**10.3**	(27.7)	**54.1**	(139.9)	**11.9**	(31.5)
Average number of shares (million)	**223.0**	222.2	**223.0**	222.2	**223.0**	222.2

	£'m		PLN'm		EUR'm	
As at	**30 June 2021 Unaudited**	31 December 2020 Audited	**30 June 2021 Unaudited**	31 December 2020 Audited	**30 June 2021 Unaudited**	31 December 2020 Audited
Total assets	**1,018.1**	1,023.9	**5,356.8**	5,255.4	**1,185.0**	1,149.0
Current liabilities	**(206.2)**	(136.0)	**(1,084.9)**	(698.0)	**(240.0)**	(152.6)
Non-current liabilities	**(448.9)**	(517.4)	**(2,361.9)**	(2,655.7)	**(522.5)**	(580.6)
Total equity	**363.0**	370.5	**1,910.0**	1,901.7	**422.5**	415.8
Share capital	**23.4**	23.4	**123.1**	120.1	**27.2**	26.3
Net assets per share - £ / PLN / €	**1.63**	1.67	**8.56**	8.56	**1.89**	1.87

The financial highlights have been translated into PLN and EUR as follows:

Items relating to the income statement and cash flow statement have been translated using the mean of mid rates quoted by the National Bank of Poland for the last day of each month in the period; the exchange rates calculated are:

	PLN	EUR
For 1 Jan-30 June 2021	5.2494	1.1544
For 1 Jan-30 June 2020	5.0497	1.1375

Items relating to the balance sheet have been translated using the mid rate quoted by the National Bank of Poland for the end of the reporting period; the exchange rates calculated are:

	PLN	EUR
For 31 June 2021	5.2616	1.1639
For 31 December 2020	5.1327	1.1222

	PLN	EUR
Highest rate 1 Jan-30 June 2021	5.4679	1.1747
Lowest rate 1 Jan-30 June 2021	4.9832	1.1059

Financial Statements

Consolidated income statement

	Notes	**Unaudited Six months ended 30 June 2021 £m**	**Unaudited Three months ended 30 June 2021 £m**	Unaudited Six months ended 30 June 2020 £m	Unaudited Three months ended 30 June 2020 £m	Audited Year ended 31 December 2020 £m
Revenue	3	**262.9**	**132.0**	362.2	165.5	661.3
Impairment	3	**(11.7)**	**(7.1)**	(182.2)	(121.3)	(247.6)
Revenue less impairment		**251.2**	**124.9**	180.0	44.2	413.7
Finance costs	4	**(25.8)**	**(13.1)**	(27.3)	(12.6)	(55.0)
Other operating costs		**(52.9)**	**(26.7)**	(54.7)	(22.2)	(108.7)
Administrative expenses		**(129.2)**	**(65.8)**	(144.8)	(64.6)	(278.8)
Total costs		**(207.9)**	**(105.6)**	(226.8)	(99.4)	(442.5)
Pre-exceptional profit/(loss) before taxation	3	**43.3**	**19.3**	(46.8)	(55.2)	(28.8)
Exceptional items:						
- Impairment		**-**	**-**	(2.5)	(2.5)	(2.5)
- Finance costs		**-**	**-**	8.2	8.2	8.2
- Administrative expenses		**-**	**-**	(12.2)	(12.2)	(17.6)
Total exceptional items before taxation		**-**	**-**	(6.5)	(6.5)	(11.9)
Profit before taxation		**43.3**	**19.3**	(53.3)	(61.7)	(40.7)
Pre-exceptional tax expense - UK		**-**	**-**	-	-	2.3
Pre-exceptional tax expense – Overseas		**(20.4)**	**(9.0)**	(8.0)	(4.6)	(26.8)
Pre-exceptional Tax expense	5	**(20.4)**	**(9.0)**	(8.0)	(4.6)	(24.5)
Exceptional tax (expense)/income		**-**	**-**	(0.2)	(0.2)	1.0
Total tax expense		**(20.4)**	**(9.0)**	(8.2)	(4.8)	(23.5)
Profit/(loss) after taxation attributable to owners of the Company		**22.9**	**10.3**	(61.5)	(66.5)	(64.2)

Earnings/(loss) per share - statutory

	Notes	**Unaudited Six months ended 30 June 2021 pence**	Unaudited Three months ended 30 June 2021 Pence	Unaudited Six months ended 30 June 2020 pence	Unaudited Three months ended 30 June 2021 pence	Audited Year ended 31 December 2020 pence
Basic	6	**10.3**	4.6	(27.7)	(29.9)	(28.9)
Diluted	6	**9.7**	4.4	(26.3)	(28.4)	(27.4)

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

Consolidated statement of comprehensive income

	Unaudited Six months ended 30 June 2021 £m	Unaudited Three months ended 30 June 2021 £m	Unaudited Six months ended 30 June 2020 £m	Unaudited Three months ended 30 June 2020 £m	Audited Year ended 31 December 2020 £m
Profit/(loss) after taxation attributable to owners of the Company	**22.9**	10.3	(61.5)	(66.5)	(64.2)
Other comprehensive income					
Items that may subsequently be reclassified to income statement					
Exchange (losses)/gains on foreign currency translations	**(27.5)**	6.9	9.2	14.1	(4.1)
Net fair value (losses)/gains – cash flow hedges	**(1.9)**	2.0	1.4	6.0	1.3
Tax credit/(charge) on items that may be reclassified	**0.4**	0.6	(0.3)	(0.1)	(0.3)
Items that will not subsequently be reclassified to income statement					
Actuarial gains/(losses) on retirement benefit asset	**1.3**	1.3	0.2	0.2	(1.4)
Tax (charge)/credit on items that will not be reclassified	**(0.3)**	(0.3)	(0.1)	(0.1)	0.3
Other comprehensive (expense)/income net of taxation	**(28.0)**	10.5	10.4	20.1	(4.2)
Total comprehensive (expense)/income for the period attributable to owners of the Company	**(5.1)**	20.8	(51.1)	(46.4)	(68.4)

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

Consolidated balance sheet

	Notes	**Unaudited 30 June 2021 £m**	Unaudited 31 March 2021 £m	Unaudited 30 June 2020 £m	Unaudited 31 March 2020 £m	Audited 31 December 2020 £m
Assets						
Non-current assets						
Goodwill	9	**23.4**	23.3	24.7	24.5	24.4
Intangible assets	10	**26.2**	29.5	36.8	43.8	30.2
Property, plant and equipment	11	**13.2**	13.8	18.0	18.5	15.4
Right-of-use assets	12	**16.6**	15.5	17.9	16.3	17.5
Amounts receivable from customers	14	**162.0**	136.2	175.9	245.3	136.5
Deferred tax assets	13	**125.5**	129.4	137.2	144.2	135.7
Non-current tax asset	15	**14.2**	14.2	-	34.0	-
Retirement benefit asset	17	**5.6**	4.3	4.5	3.4	3.4
		386.7	366.2	415.0	530.0	363.1
Current assets						
Amounts receivable from customers	14	**512.2**	498.2	580.5	673.7	532.6
Derivative financial instruments		**1.3**	0.4	8.1	5.6	0.5
Cash and cash equivalents		**100.4**	102.9	100.6	66.6	116.3
Other receivables		**15.9**	15.4	26.1	16.4	9.9
Current tax assets	15	**1.6**	1.5	36.6	0.1	1.5
		631.4	618.4	751.9	762.4	660.8
Total assets	3	**1,018.1**	984.6	1,166.9	1,292.4	1,023.9
Liabilities						
Current liabilities						
Borrowings	16	**(43.3)**	(2.3)	(387.1)	(89.4)	(0.2)
Derivative financial instruments		**(3.7)**	(7.5)	(1.2)	(6.8)	(6.7)
Trade and other payables		**(113.4)**	(90.7)	(92.0)	(123.3)	(89.1)
Provisions for liabilities and charges	18	**(24.2)**	(20.5)	(12.1)	-	(19.2)
Lease liabilities	12	**(7.3)**	(6.7)	(9.0)	(7.6)	(7.4)
Current tax liabilities		**(14.3)**	(17.2)	(26.7)	(27.0)	(13.4)
		(206.2)	(144.9)	(528.1)	(254.1)	(136.0)
Non-current liabilities						
Deferred tax liabilities		**(9.4)**	(13.9)	(12.1)	(20.0)	(13.8)
Lease liabilities	12	**(11.0)**	(10.3)	(10.0)	(9.5)	(11.8)
Borrowings	16	**(428.5)**	(470.2)	(228.2)	(574.8)	(491.8)
		(448.9)	(494.4)	(250.3)	(604.3)	(517.4)
Total liabilities	3	**(655.1)**	(639.3)	(778.4)	(858.4)	(653.4)
Net assets		**363.0**	345.3	388.5	434.0	370.5
Equity attributable to owners of the Company						
Called-up share capital		**23.4**	23.4	23.4	23.4	23.4
Other reserve		**(22.5)**	(22.5)	(22.5)	(22.5)	(22.5)
Foreign exchange reserve		**(22.5)**	(29.4)	18.3	4.2	5.0
Hedging reserve		**(0.6)**	(3.2)	1.0	(4.9)	0.9
Own shares		**(44.4)**	(44.8)	(45.5)	(46.1)	(45.2)
Capital redemption reserve		**2.3**	2.3	2.3	2.3	2.3
Retained earnings		**427.3**	419.5	411.5	477.6	406.6
Total equity		**363.0**	345.3	388.5	434.0	370.5

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

Consolidated statement of changes in equity

	Unaudited				
	Called-up share capital £m	Other reserve £m	*Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2020	23.4	(22.5)	(34.8)	470.3	436.4
Comprehensive income					
Loss after taxation for the period	-	-	-	(61.5)	(61.5)
Other comprehensive income/(expense)					
Exchange gains on foreign currency translation (note 21)	-	-	9.2	-	9.2
Net fair value gains – cash flow hedges	-	-	1.4	-	1.4
Actuarial gains on retirement benefit asset	-	-	-	0.2	0.2
Tax charge on other comprehensive income	-	-	(0.3)	(0.1)	(0.4)
Total other comprehensive income	-	-	10.3	0.1	10.4
Total comprehensive income/(expense) for the period	-	-	10.3	(61.4)	(51.1)
Transactions with owners					
Share-based payment adjustment to reserves	-	-	-	3.2	3.2
Shares granted from treasury and employee trust	-	-	0.6	(0.6)	-
At 30 June 2020	23.4	(22.5)	(23.9)	411.5	388.5
			Audited		
At 1 January 2020	23.4	(22.5)	(34.8)	470.3	436.4
Comprehensive income					
Loss after taxation for the period	-	-	-	(64.2)	(64.2)
Other comprehensive (expense)/income					
Exchange losses on foreign currency translation (note 21)	-	-	(4.1)	-	(4.1)
Net fair value gains – cash flow hedges	-	-	1.3	-	1.3
Actuarial loss on retirement benefit asset	-	-	-	(1.4)	(1.4)
Tax (charge)/credit on other comprehensive income	-	-	(0.3)	0.3	-
Total other comprehensive expense	-	-	(3.1)	(1.1)	(4.2)
Total comprehensive expense for the period	-	-	(3.1)	(65.3)	(68.4)
Transactions with owners					
Share-based payment adjustment to reserves	-	-	-	2.5	2.5
Shares granted from treasury and employee trust	-	-	0.9	(0.9)	-
At 31 December 2020	23.4	(22.5)	(37.0)	406.6	370.5

Consolidated statement of changes in equity (continued)

	Unaudited				
	Called-up share capital £m	Other reserve £m	*Other reserves £m	Retained earnings £m	Total equity £m
At 1 January 2021	**23.4**	**(22.5)**	**(37.0)**	**406.6**	**370.5**
Comprehensive income					
Profit after taxation for the period	**-**	**-**	**-**	**22.9**	**22.9**
Other comprehensive (expense)/income					
Exchange losses on foreign currency translation (note 21)	**-**	**-**	**(27.5)**	**-**	**(27.5)**
Net fair value losses – cash flow hedges	**-**	**-**	**(1.9)**	**-**	**(1.9)**
Actuarial gain on retirement benefit asset	**-**	**-**	**-**	**1.3**	**1.3**
Tax credit/(charge) on other comprehensive income	**-**	**-**	**0.4**	**(0.3)**	**0.1**
Total other comprehensive (expense)/income	**-**	**-**	**(29.0)**	**1.0**	**(28.0)**
Total comprehensive (expense)/income for the period	**-**	**-**	**(29.0)**	**23.9**	**(5.1)**
Transactions with owners					
Share-based payment adjustment to reserves	**-**	**-**	**-**	**(1.1)**	**(1.1)**
Purchase of own shares	**-**	**-**	**(1.3)**	**-**	**(1.3)**
Shares granted from treasury and employee trust	**-**	**-**	**2.1**	**(2.1)**	**-**
At 30 June 2021	**23.4**	**(22.5)**	**(65.2)**	**427.3**	**363.0**
			Unaudited		
At 1 April 2021	**23.4**	**(22.5)**	**(75.1)**	**419.5**	**345.3**
Comprehensive income					
Profit after taxation for the period	**-**	**-**	**-**	**10.3**	**10.3**
Other comprehensive income/(expense)					
Exchange gains on foreign currency translation (note 21)	**-**	**-**	**6.9**	**-**	**6.9**
Net fair value gains – cash flow hedges	**-**	**-**	**2.0**	**-**	**2.0**
Actuarial gain on retirement benefit asset	**-**	**-**	**-**	**1.3**	**1.3**
Tax credit/(charge) on other comprehensive income	**-**	**-**	**0.6**	**(0.3)**	**0.3**
Total other comprehensive income	**-**	**-**	**9.5**	**1.0**	**10.5**
Total comprehensive income for the period	**-**	**-**	**9.5**	**11.3**	**20.8**
Transactions with owners					
Share-based payment adjustment to reserves	**-**	**-**	**-**	**(1.8)**	**(1.8)**
Purchase of own shares	**-**	**-**	**(1.3)**	**-**	**(1.3)**
Shares granted from treasury and employee trust	**-**	**-**	**1.7**	**(1.7)**	**-**
At 30 June 2021	**23.4**	**(22.5)**	**(65.2)**	**427.3**	**363.0**

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

Consolidated cash flow statement

	Notes	**Unaudited Six months ended 30 June 2021 £m**	Unaudited Three months ended 30 June 2021 £m	Unaudited Six months ended 30 June 2020 £m	Unaudited Three months ended 30 June 2020 £m	Audited Year Ended 31 December 2020 £m
Cash flows from operating activities						
Cash generated from operating activities	20	**58.7**	22.9	176.0	131.3	329.8
Finance costs paid		**(11.3)**	(6.6)	(39.7)	(33.6)	(54.7)
Finance income received		**-**	-	-	-	9.9
Income tax paid		**(33.7)**	(11.7)	(12.5)	(3.5)	(1.4)
Net cash generated from operating activities		**13.7**	4.6	123.8	94.2	283.6
Cash flows used in investing activities						
Purchases of intangible assets	10	**(3.4)**	(0.7)	(6.4)	(3.4)	(11.7)
Purchases of property, plant and equipment	11	**(1.3)**	(0.8)	(1.9)	(1.0)	(3.8)
Proceeds from sale of property, plant and equipment		**0.1**	-	0.2	0.1	0.4
Net cash used in investing activities		**(4.6)**	(1.5)	(8.1)	(4.3)	(15.1)
Net cash generated from operating and investing activities		**9.1**	3.1	115.7	89.9	268.5
Cash flows from financing activities						
Proceeds from borrowings		**5.9**	1.3	64.7	43.0	311.3
Repayment of borrowings		**(22.7)**	(4.2)	(111.9)	(94.4)	(490.0)
Principal elements of lease payments	12	**(4.9)**	(2.3)	(5.3)	(2.4)	(10.9)
Shares acquired by employee trust		**(1.3)**	(1.3)	-	-	-
Net cash used in financing activities		**(23.0)**	(6.5)	(52.5)	(53.8)	(189.6)
Net (decrease)/increase in cash and cash equivalents		**(13.9)**	(3.4)	63.2	36.1	78.9
Cash and cash equivalents at beginning of period		**116.3**	102.9	37.4	66.6	37.4
Exchange (losses)/gains on cash and cash equivalents		**(2.0)**	0.9	-	(2.1)	-
Cash and cash equivalents at end of period		**100.4**	100.4	100.6	100.6	116.3

Notes to the Financial Statements

1. Basis of preparation

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with the Disclosure and Transparency Rules ('DTR') of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the United Kingdom. These condensed consolidated interim financial statements should be read in conjunction with the Annual Report and Financial Statements ('the Financial Statements') for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. These condensed consolidated interim financial statements were approved for release on 27 July 2021.

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Financial Statements for the year ended 31 December 2020 were approved by the Board on 3 March 2021 and delivered to the Registrar of Companies. The Financial Statements contained an unqualified audit report and did not include an emphasis of matter paragraph or any statement under Section 498 of the Companies Act 2006. The Financial Statements are available on the Group's website (www.ipfin.co.uk).

The accounting policies applied to prepare these condensed consolidated interim financial statements are consistent with those applied to the most recent full year Financial Statements for the year ended 31 December 2020.

The figures for the six months ended 30 June 2021 have been reviewed by the auditor; those for the three months ended 30 June 2021 are neither audited or reviewed.

Board members

As at 30 June 2021, the Group's Board members were as follows:

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

[1] Justin Lockwood resigned from the Board on 23 July 2021

Subsidiaries included in the condensed consolidated interim financial statements

The subsidiary companies of IPF plc, which are 100% owned by the Group and included in these condensed consolidated interim financial statements are detailed below:

Subsidiary company	Country of incorporation and operation	Principal activity
Avalist Credit Secure, S.L.	Spain	Provision of services
Compañía Estelar Poniente, S.A. de C.V.	Mexico	Provision of services (agents)
División Estratégica Central, S.A. de C.V.	Mexico	Holding Company
Estrategias Divisionales Céntricas, S.A. de C.V.	Mexico	Provision of services (agents)
Estrategias Sureñas de Avanzada, S.A. de C.V.	Mexico	Provision of services (agents)
International Credit Insurance Limited	Guernsey	Provision of services
International Personal Finance Digital Spain S.A.U.	Spain	Digital credit
International Personal Finance Investments Limited	United Kingdom	Holding company
IPF Ceská republica s.r.o	Czech Republic	Non-trading
IPF Development (2003) Limited	United Kingdom	Provision of services
IPF Digital AS	Estonia	Provision of services
IPF Digital Australia Pty Limited	Australia	Digital credit
IPF Digital Finland Oy	Finland	Digital credit
IPF Digital Group Limited	United Kingdom	Holding company
IPF Digital Latvia, SIA	Latvia	Digital credit
IPF Digital Lietuva, UAB	Lithuania	Digital credit
IPF Digital Mexico S.A de C.V	Mexico	Digital credit
IPF Financial Services Limited	United Kingdom	Provision of services
IPF Financing Limited	United Kingdom	Provision of services
IPF Guernsey (2) Limited	Guernsey	Dormant
IPF Holdings Limited	United Kingdom	Holding company
IPF International Limited	United Kingdom	Provision of services
IPF Investments Polska sp. z o.o.	Poland	Provision of services
IPF Management	Ireland	Provision of services
IPF Nordic Limited	United Kingdom	Provision of services
IPF Polska sp. z o.o.	Poland	Digital credit
La Regional Operaciones Centrales, S.A. de C.V.	Mexico	Holding Company
La Tapatía Operaciones de Avanzada, S.A. de C.V.	Mexico	Provision of services (agents)
Metropolitana Estrella de Operaciones, S.A. de C.V.	Mexico	Provision of services (agents)
Operadora Regiomontana de Estrategias Integrales, S.A. de C.V.	Mexico	Provision of services (agents)
PF (Netherlands) B.V.	Netherlands	Provision of services
Provident Agent De Asigurae srl	Romania	Provision of services
Provident Financial Romania IFN S.A.	Romania	Home credit
Provident Financial s.r.o.	Czech Republic	Home credit
Provident Financial Zrt.	Hungary	Home credit
Provident Mexico S.A. de C.V.	Mexico	Home credit
Provident Polska S.A.	Poland	Home credit
Provident Polska sp. z o.o.	Poland	Non-trading
Provident Servicios de Agencia S.A. de C.V.	Mexico	Provision of services
Provident Servicios S.A. de C.V.	Mexico	Provision of services

All UK subsidiaries are registered at the same registered office as the Company, Number Three, Leeds City Office Park, Meadow Lane, Leeds, LS11 5BD.

Going Concern

In considering whether the Group is a going concern, the Board has taken into account the Group's financial forecasts, its principal risks (with particular reference to regulatory risks), and the expected trajectory of recovery from the Covid-19 pandemic. The forecasts have been prepared for the three years to 31 December 2023 and include projected profit and loss, balance sheet, cashflows, borrowings, headroom against debt facilities and funding requirements. These forecasts represent the best estimate of the expected recovery from the impact that Covid-19 had on the Group's businesses, and in particular the evolution of credit issuance and collection cash flows.

The financial forecasts have been stress tested in a range of downside scenarios to assess the impact on future profitability, funding requirements and covenant compliance. The scenarios reflect the crystallisation of the Group's principal risks (with particular reference to regulatory risks) and evaluate the impact of a more challenging recovery from the impact of the Covid-19 pandemic than assumed in the business plan. Consideration has also been given to multiple risks crystallising concurrently and the availability of mitigating actions that could be taken to reduce the impact of the identified risks. In addition, we examined a reverse stress test on the financial forecasts to assess the extent to which a recession would need to impact our operational performance in order to breach a covenant. This showed that net revenue would need to deteriorate significantly from the financial forecast and the Directors have a reasonable expectation that it is unlikely to deteriorate to this extent.

At 30 June 2021, the Group had £173 million of non-operational cash and headroom against its debt facilities (comprising a range of bonds and bank facilities), which have a weighted average maturity of 3 years. The total debt facilities as at 30 June 2021 amounted to £596 million of which £138 million (including £39 million which is uncommitted) is due for renewal over the following 12 months. A combination of these debt facilities, the embedded business flexibility in respect of cash generation and a successful track record of accessing funding from debt capital markets over a long period (including periods with challenging macroeconomic conditions and a changing regulatory environment), are expected to meet the Group's funding requirements for the foreseeable future (12 months from the date of approval of this report).Taking these factors into account, together with regulatory risks set out on page 51 of the Annual Report, the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, the Board has adopted the going concern basis in preparing the Consolidated Half-Year Financial Report for the period ended 30 June 2021.

Exceptional items

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

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

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

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

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

The application of IFRS 9 to the effects of Covid-19 had a significant impact on the Group's impairment accounting and charge, and our post model overlays (PMOs) have been prepared to ensure that the impacts of the pandemic are included within the Group's impairment provisions, see below for further details. Impairment on lending from June 2020 onwards has been recorded using our standard impairment accounting models without applying these overlays due to the reduction in operational disruption and the tightened credit settings on new lending.

Impairment models are monitored regularly to test their continued capability to predict the timing and quantum of customer repayments in the context of the recent customer payment performance.

The models used typically have a strong predictive capability reflecting the relatively stable nature of the business and therefore the actual performance does not usually vary significantly from the estimated performance. The models are ordinarily updated at least twice per year. In line with this, we updated the models in Q2 2021 and data that would normally be included within this periodic update contained Covid-19 impacted data. This included data from when there were restrictions on movements of agents and customers together with data driven by the tighter credit settings that were put in place as part of the Group's pandemic response strategy. This data is not considered to be representative of the expected future performance and therefore we excluded it from our periodic update.

On the basis that the payment performance of customers could be different from the assumptions used in estimating expected losses and the future cash flows, an adjustment to the amounts receivable from customers may be required. A 5% increase/decrease in expected loss parameters would be a decrease/increase in amounts receivable from customers of £6.1 million. This level of estimated impact is based on historic fluctuations in performance compared to the models and is subject to impairment overlay provisions.

Covid-19 post model overlay (PMO) on amounts receivable from customers

In 2020 Government imposed restrictions on the freedom of movement and the introduction of debt repayment moratoria, together with the economic impact of the pandemic on our customers, had a significant adverse impact on collection cash flows in all our businesses. These events were unprecedented and, as a consequence, we reviewed our impairment modelling under IFRS 9 to identify risks that are not fully reflected in the standard impairment models. This included a full assessment of expected credit losses, including a forward-looking assessment of expected collection cash flows. As a result, for home credit lending issued before June 2020 and IPF Digital lending, we have prepared post model overlays (PMOs) to our impairment models in order to calculate the expected impact of the pandemic on the Group's impairment provisions. Based on management's current expectations, the impact of these PMOs was to increase impairment provisions at 30 June 2021 by £26.0 million as set out below.

	ECL £m	Discounting £m	Total £m
Home credit	**(14.3)**	**(7.3)**	**(21.6)**
IPF Digital	**(4.4)**	**-**	**(4.4)**
Total	**(18.7)**	**(7.3)**	**(26.0)**

Expected credit loss ('ECL')

Missed collections as a result of government imposed restrictions on the freedom of movement and the introduction of debt repayment moratoria is not considered to be an indicator of a significant increase in credit risk (SICR). However, our impairment models cannot distinguish between a missed payment arising from these factors and a missed payment arising from a customer not making a payment. Therefore, we have reduced the modelled ECL based on historic customer roll rates before calculating the increase in ECL arising from the pandemic. This latter assessment is based on estimated future repayment patterns on a market by market basis, taking into account operational disruption, debt repayment moratoria and the expected recessionary impact. We then assessed the extent to which the reduction in cash flows is likely to be permanent or temporary. In H1 2021 the collections performance was better than expected and we have adjusted the PMO to reflect this, however a significant amount of risk related to increased ECL remains. The estimated permanent difference in cashflows has been recorded as an increase of £14.3 million in ECL in the Group's home credit businesses as a Covid-19 PMO.

In our digital businesses, in line with our home credit markets, we have reviewed the expected recessionary impact of the pandemic on our customers' debt repayment capacity. We used this information to calculate the increased probability of customers defaulting. The estimated increase in PD has been included as a £4.4 million Covid-19 PMO.

Discounting

We expect temporary missed repayments in our home credit businesses to be repaid at the end of the credit agreement, rather than at the point when agent service is resumed. The charges for lending are largely fixed and therefore these delayed cash flows have been discounted using the effective interest rate to arrive at a net present value. Included within this, is a further delay of the cashflows in Hungary driven by an extension of the moratorium that was announced in Q2 2021. In total this results in an additional impairment provision of £7.3 million that is expected to continue to unwind during the next 18 months as the temporary missed collections are collected from customers.

We have performed analysis on the ECL and discounting Covid-19 PMOs to show the estimated variation to amounts receivable from customers as a result of the key variables influencing ECL (namely operational disruption, repayment moratoria and recessionary) being different to management's current expectations based on the following collection scenarios:

- ECL – variations in the key variables resulting in a 3% increase/decrease in the ECL would result in an increase/decrease in the Covid-19 PMO of £6.2 million.
- Discounting – temporary missed repayments in home credit, that are assumed to be repaid at the end of the loan, being received three months later/earlier than forecast would result in an increase/decrease in the Covid-19 PMO of £3.6 million.

These variations reflect management's current assessment of a reasonable range of outcomes from the actual collections performance.

Polish early settlement rebates

As previously reported, a comprehensive review is being conducted by UOKiK, the Polish competition and consumer protection authority, of rebating practices by banks and other consumer credit providers on early loan settlement, including those of the Group's Polish businesses. We reviewed the likelihood of the resolution of this matter resulting in higher early settlement rebates being payable to customers that settled their agreements early before the balance sheet date. A number of risks and uncertainties remain, in particular with respect to future claims volumes relating to historic rebates paid from a customer contact exercise. The total amount provided of £21.7 million (30 June 2020: £12.1 million; 31 December 2020: £17.6 million) represents the Group's best estimate of the likely future cost of increasing historic customer rebates. Whilst the volume of claims could differ from the estimates, the Group's expectation at this stage is that claims rates are unlikely to be more than 25% higher than the assumed rate.

Claims management charges in Spain

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

Tax
Estimations must be exercised in the calculation of the Group's tax provision, in particular with regard to the existence and extent of tax risks. This exercise of estimation with regards to the EU State Aid investigation, which is disclosed in note 22, could have a significant effect on the Financial Statements, as there are significant uncertainties in relation to the amount and timing of associated cash flows.

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

Critical accounting judgements
Accounting judgements have been made over whether the EU State Aid investigation requires a provision or disclosure as a contingent liability, see note 22 for further details.

There are no new standards adopted by the Group in 2021, and there are no new standards not yet effective and not adopted by the Group from 1 January 2021 which are expected to have a material impact on the Group.

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

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

Each of the APMs used by the Group is set out on pages 47 to 50 including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant.

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

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

2. Related parties

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

3. Segment analysis

As highlighted at the 2020 year end, we merged our two digital businesses in Poland in order to deliver efficiencies of scale and, as a result, the digital lending arm previously reported as part of European home credit is now included in IPF Digital. All comparatives have been amended accordingly and are presented on a like-for-like basis.

	Unaudited Six months ended 30 June 2021 £m	Unaudited Three months ended 30 June 2021 £m	Unaudited Six months ended 30 June 2020 £m	Unaudited Three months ended 30 June 2020 £m	Audited Year ended 31 December 2020 £m
Revenue					
European home credit	**140.1**	69.2	184.9	87.0	351.2
Mexico home credit	**64.9**	34.1	91.0	39.5	157.1
Digital	**57.9**	28.7	86.3	39.0	153.0
Revenue	**262.9**	132.0	362.2	165.5	661.3
Impairment					
European home credit	**(9.0)**	(6.4)	87.9	63.4	125.1
Mexico home credit	**8.5**	6.8	45.1	29.1	53.0
Digital	**12.2**	6.7	49.2	28.8	69.5
Impairment – pre-exceptional item	**11.7**	7.1	182.2	121.3	247.6
Exceptional item	**-**	-	2.5	2.5	2.5
Impairment	**11.7**	7.1	184.7	123.8	250.1
Other operating costs					
European home credit	**30.9**	15.2	30.8	14.7	64.8
Mexico home credit	**12.4**	5.9	13.0	4.8	24.2
Digital	**9.6**	5.6	10.3	2.5	18.7
UK costs[1]	**-**	-	0.6	0.2	1.0
Other operating costs	**52.9**	26.7	54.7	22.2	108.7
Administrative expenses					
European home credit	**67.4**	34.7	72.2	30.3	140.3
Mexico home credit	**31.6**	15.2	37.1	16.1	68.8
Digital	**23.1**	12.0	29.0	14.2	57.9
UK costs[1]	**7.1**	3.9	6.5	4.0	11.8
Administrative expenses – pre-exceptional item	**129.2**	65.8	144.8	64.6	278.8
Exceptional item	**-**	-	12.2	12.2	17.6
Administrative expenses	**129.2**	65.8	157.0	76.8	296.4
Profit / (loss) before taxation					
European home credit	**34.9**	17.5	(22.7)	(29.7)	(11.6)
Mexico home credit	**9.4**	4.5	(8.4)	(12.1)	3.5
Digital	**6.1**	1.2	(8.8)	(9.4)	(8.0)
UK costs[1]	**(7.1)**	(3.9)	(6.9)	(4.0)	(12.7)
Profit /(loss) before taxation – pre-exceptional items	**43.3**	19.3	(46.8)	(55.2)	(28.8)
Exceptional items	**-**	-	(6.5)	(6.5)	(11.9)
Profit / (loss) before taxation	**43.3**	19.3	(53.3)	(61.7)	(40.7)

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

	Unaudited 30 June 2021 £m	Unaudited 31 March 2021 £m	Unaudited 30 June 2020 £m	Unaudited 31 March 2020 £m	Audited 31 December 2020 £m
Segment assets					
European home credit	**504.9**	470.0	584.2	659.3	485.1
Mexico home credit	**178.3**	169.2	164.6	195.7	170.2
Digital	**207.7**	208.6	278.6	345.1	224.4
UK[2]	**127.2**	136.8	139.5	92.3	144.2
Total	**1,018.1**	984.6	1,166.9	1,292.4	1,023.9
Segment liabilities					
European home credit	**312.2**	273.1	216.8	263.7	275.7
Mexico home credit	**82.9**	79.3	108.1	120.4	76.2
Digital	**91.0**	106.3	181.2	221.8	138.4
UK[2]	**169.0**	180.6	272.3	252.5	163.1
Total	**655.1**	639.3	778.4	858.4	653.4

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

4. Finance costs

	Unaudited Six months ended 30 June 2021 £m	Unaudited Three months ended 30 June 2021 £m	Unaudited Six months ended 30 June 2020 £m	Unaudited Three months ended 30 June 2020 £m	Audited Year ended 31 December 2020 £m
Interest payable on borrowings	**25.1**	12.8	28.0	13.6	55.2
Interest payable on lease liabilities	**0.7**	0.3	0.7	0.4	1.5
Interest income	**-**	-	(9.6)	(9.6)	(9.9)
Finance costs	**25.8**	13.1	19.1	4.4	46.8

In 2020, interest income was received in respect of the successful appeal against the 2008 and 2009 tax decisions. £8.2 million of this income, which related to the period from January 2017 to December 2019 was treated as an exceptional item (see note 8 for further details).

5. Tax expense

The taxation charge on the profit for the first six months of 2021 (£20.4 million) has been based on an expected effective tax rate for 2021 of 47%.

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

6. Earnings/(loss) per share

	Unaudited Six months ended 30 June 2021 pence	Unaudited Three months ended 30 June 2021 Pence	Unaudited Six months ended 30 June 2020 pence	Unaudited Three months ended 30 June 2020 pence	Audited Year ended 31 December 2020 pence
Basic E/(L)PS	**10.3**	4.6	(27.7)	(29.9)	(28.9)
Dilutive effect of awards	**(0.6)**	(0.2)	1.4	1.5	1.5
Diluted E/(L)PS	**9.7**	4.4	(26.3)	(28.4)	(27.4)

Basic earnings/(loss) per share ('E/(L)PS') for the six months ended 30 June 2021 is calculated by dividing the profit attributable to shareholders of £22.9 million (three months ended 30 June 2021: profit of £10.3 million, six months ended 30 June 2020: loss of £61.5 million, three months ended 30 June 2020: loss of £66.5 million, 31 December 2020: loss of £64.2 million) by the weighted average number of shares in issue during the period of 223.0 million which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (three months ended 30 June 2021: 223.3 million, six months ended 30 June 2020: 222.2 million, three months ended 30 June 2020: 222.4 million, 31 December 2020: 222.4 million).

For diluted E/(L)PS for the six months ended 30 June 2021 the weighted average number of shares has been adjusted to 236.1 million (three months ended 30 June 2021: 236.4 million, six months ended 30 June 2020: 234.2 million, three months ended 30 June 2020: 234.2 million, 31 December 2020: 234.1 million) to assume conversion of all dilutive potential ordinary share options relating to employees of the Group.

7. Dividends

The Board has considered the trading performance in the first half of the year, the outlook for the full year and the strength of the balance sheet, and is pleased to declare an interim dividend of 2.2 pence per share. The dividend will be paid on 1 October 2021 to shareholders on the register at the close of business on 3 September 2021. The shares will be marked ex-dividend on 2 September 2021. The deadline to elect for the Dividend Reinvestment Plan (DRIP) is 10 September 2021. As at the date of this report, 223,196,486 ordinary shares are authorised to receive the dividend with a total dividend payment of £4,910,322.69.

8. Exceptional items

The June 2020 income statement included an exceptional loss of £6.7 million which comprised a pre-tax exceptional loss of £6.5 million and an exceptional tax charge of £0.2 million.

Half-year 2020	Pre-tax £m	Tax £m	Post-tax £m
Finland closure	(10.6)	(1.1)	(11.7)
Restructuring costs	(4.1)	0.9	(3.2)
Interest income	8.2	-	8.2
Exceptional items	(6.5)	(0.2)	(6.7)

The decision to close our business in Finland and to collect out the portfolio following a tightening of the rate cap resulted in a loss of £11.7 million. It comprised a £10.6 million charge against loss before tax and the write-off of a deferred tax asset of £1.1 million that we no longer expect to be realised. The pre-tax loss comprised a provision taken against the carrying value of the receivables book based on our best estimate of the value of collections of £2.5 million and £8.1 million from accelerated amortisation of intangible assets. The restructuring charge of £4.1 million arose in connection with a downsizing exercise that was conducted in H1 2020 and there was an associated tax credit of £0.9 million relating to this item. In addition, the H1 2020 profit and loss account included exceptional interest income of £8.2 million, relating to the interest accrued on the payments to the Polish tax authority made in January 2017 in respect of the 2008 and 2009 cases for 2017 to 2019.

The full year 2020 income statement included an exceptional loss of £10.9 million which comprised a pre-tax exceptional loss of £11.9 million and an exceptional tax credit of £1.0 million.

Full-year 2020	Pre-tax £m	Tax £m	Post-tax £m
Finland closure	(10.6)	(1.1)	(11.7)
Restructuring costs	(9.5)	2.1	(7.4)
Interest income	8.2	-	8.2
Exceptional items	(11.9)	1.0	(10.9)

In addition to the exceptional items from H1 2020, there was a further restructuring exercise conducted in H2 2020, which incurred further exceptional costs, and a further associated tax credit.

9. Goodwill

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Net book value at start of period	**24.4**	23.1	23.1
Exchange adjustments	**(1.0)**	1.6	1.3
Net book value at end of period	**23.4**	24.7	24.4

Goodwill is tested annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount is determined from a value in use calculation. The key assumptions used in the value in use calculation relate to the discount rates and cash flows assumed. We adopt discount rates which reflect the time value of money and the risks specific to the legacy MCB business. The cash flow forecasts are based on the most recent financial forecasts which includes our best estimates of the impact of Covid-19 and include the decision to collect out the Finnish business. The rate used to discount the forecast cash flows is 10% (30 June: 9% and 31 December 2020: 10%). The discount rate would need to increase to 19% before indicating that part of the goodwill may be impaired.

10. Intangible assets

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Net book value at start of period	**30.2**	43.2	43.2
Additions	**3.4**	6.4	11.7
Amortisation	**(6.9)**	(14.5)	(25.9)
Exchange adjustments	**(0.5)**	1.7	1.2
Net book value at end of period	**26.2**	36.8	30.2

Intangible assets comprise computer software. Amortisation in H1 2021 includes accelerated amortisation of £1.5 million following a review of software assets.

As noted in note 8, in H1 and FY 2020, following a decision to close our digital business in Finland and to collect out the portfolio, we booked an exceptional charge of £8.1 million from accelerated amortisation of intangible assets.

11. Property, plant and equipment

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Net book value at start of period	**15.4**	20.0	20.0
Exchange adjustments	**(0.4)**	(0.2)	(0.6)
Additions	**1.3**	1.9	3.8
Disposals	**(0.3)**	(0.1)	(0.6)
Depreciation	**(2.8)**	(3.6)	(7.2)
Net book value at end of period	**13.2**	18.0	15.4

There are no significant additions or disposals in the period and no liabilities arising therefrom (half year 2020 and full year 2020: no significant additions or disposals and no liabilities arising therefrom).

As at 30 June 2021 the Group had £2.0 million of capital expenditure commitments with third parties that were not provided for (30 June 2020: £2.1 million; 31 December 2020: £2.6 million).

12. Right-of-use assets and lease liabilities

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

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Properties	**10.2**	10.9	10.5
Motor vehicles	**6.3**	6.9	6.9
Equipment	**0.1**	0.1	0.1
Total right-of-use assets	**16.6**	17.9	17.5

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

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Net book value at start of period	**17.5**	18.8	18.8
Exchange adjustments	**(0.7)**	(0.4)	(0.5)
Additions	**4.0**	3.6	6.0
Modifications	**-**	0.9	3.6
Depreciation	**(4.2)**	(5.0)	(9.9)
Impairment	**-**	-	(0.5)
Net book value at end of period	**16.6**	17.9	17.5

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

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Lease liabilities at start of period	**19.2**	19.5	19.5
Exchange adjustments	**(0.7)**	(0.4)	(0.5)
Additions	**4.0**	4.5	9.6
Interest	**0.7**	0.7	1.5
Lease payments	**(4.9)**	(5.3)	(10.9)
Lease liabilities at end of period	**18.3**	19.0	19.2

Analysed as:

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Current	**7.3**	9.0	7.4
Non-Current:			
- between one and five years	**10.8**	9.9	11.1
- greater than five years	**0.2**	0.1	0.7
	11.0	10.0	11.8
Lease liabilities at end of period	**18.3**	19.0	19.2

13. Deferred tax assets

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

14. Amounts receivable from customers

Amounts receivable from customers comprise:

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Amounts due within one year	**512.2**	580.5	532.6
Amounts due in more than one year	**162.0**	175.9	136.5
Total receivables	**674.2**	756.4	669.1

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

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Polish zloty	**226.9**	260.5	225.3
Czech crown	**46.4**	57.1	50.9
Euro*	**96.4**	151.8	117.0
Hungarian forint	**102.4**	111.5	89.9
Romanian leu	**67.2**	57.1	62.1
Mexican peso	**109.9**	97.7	100.8
Australian dollar	**25.0**	20.7	23.1
Total receivables	**674.2**	756.4	669.1

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

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows receivable discounted at the average effective interest rate ('EIR') of 93% (30 June 2020: 101%, 31 December 2020: 96%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 12.6 months (30 June 2020: 12.0 months, 31 December 2020: 11.1 months).

Determining an increase in credit risk since initial recognition

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

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

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

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

Definition of default and credit impaired assets

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

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

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

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

As highlighted at the 2020 year end, we merged our two digital businesses in Poland in order to deliver efficiencies of scale and, as a result, the digital lending arm previously reported as part of European home credit is now included in IPF Digital. All comparatives have been amended accordingly and are presented on a like-for-like basis.

The breakdown of receivables by stage is as follows:

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

30 June 2020	Stage 1 £m	Stage 2 £m	Stage 3 £m	Covid-19 PMO £m	Total net receivables £m
Home credit	320.9	73.1	150.4	(23.9)	520.5
IPF Digital	222.4	13.0	6.8	(6.3)	235.9
Group	543.3	86.1	157.2	(30.2)	756.4

For June 2020, no adjustment is made in the table above to reflect the proportion of balances deemed likely to have experienced a SICR for which no evidence exists and for which a Covid-19 PMO has been calculated.

31 December 2020	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total net receivables £m
Home credit	288.6	51.0	142.6	482.2
IPF Digital	177.9	7.1	1.9	186.9
Group	466.5	58.1	144.5	669.1

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

Gross carrying amount and loss allowance

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

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

30 June 2020	Stage 1 £m	Stage 2 £m	Stage 3 £m	Covid-19 PMO £m	Total £m
Gross carrying amount	629.3	189.6	524.9	-	1,343.8
Loss allowance	(86.0)	(103.5)	(367.7)	(30.2)	(587.4)
Group	543.3	86.1	157.2	(30.2)	756.4

For June 2020, no adjustment is made in the table above to reflect the proportion of balances deemed likely to have experienced a SICR for which no evidence exists and for which a Covid-19 PMO has been calculated.

31 December 2020	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross carrying amount	601.3	125.1	456.1	1,182.5
Loss allowance	(134.8)	(67.0)	(311.6)	(513.4)
Group	466.5	58.1	144.5	669.1

15. Non-current/current tax asset

As at 30 June 2021, the non-current tax asset included an amount of £14.2 million that was paid pursuant to a HMRC Charging Notice in respect of an European Commission State Aid investigation into the Group Financing Exemption contained in the UK's controlled foreign company rules. Details are set out at note 22.

As at 30 June 2020, the current tax asset included an amount of £34.9 million in respect of the tax paid to the Polish Tax Authority (30 June 2021 and 31 December 2020: £nil). Our appeal against the Polish Tax Chamber's decisions for 2008 and 2009 was heard in the Warsaw District Administrative Court in March 2020 and the court found in our favour. The Court formally confirmed that the decision was final and we received repayment of the tax that was paid in January 2017 together with interest up to the repayment date in August 2020.

16. Borrowing facilities and borrowings

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

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Repayable			
- in less than one year	**43.3**	387.1	0.2
- between one and two years	**27.5**	81.4	74.3
- between two and five years	**401.0**	146.8	417.5
	428.5	228.2	491.8
Total borrowings	**471.8**	615.3	492.0

Borrowings is stated net of deferred debt issuance costs of £6.8 million (30 June 2020: £2.1 million; 31 December 2020: £7.4 million).

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

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Repayable			
- on demand	**38.7**	11.4	40.1
- in less than one year	**99.1**	425.3	45.7
- between one and two years	**41.5**	146.5	104.4
- between two and five years	**416.8**	180.7	433.8
Total facilities	**596.1**	763.9	624.0

The undrawn external bank facilities is as follows:

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Expiring within one year	**94.5**	48.9	85.6
Expiring between one and two years	**14.0**	65.1	30.1
Expiring in more than two years	**9.0**	32.5	8.9
Total	**117.5**	146.5	124.6

Undrawn external facilities above does not include unamortised arrangement fees.

The average period to maturity of the Group's external bonds and committed external borrowings is 3 years (30 June 2020: 1.5 years; 31 December 2020: 3.3 years).

The Group complied with its covenants at 30 June 2021. Each covenant calculation has been made in accordance with the terms of the relevant funding documentation.

In H1 2021 there were no bond issuances or redemptions. In H1 2020, GBP 44,098,100 retail bonds matured on 8 May 2020, and PLN 200 million Polish floating rate bond matured on 3 June 2020. In H2 2020, there was one bond maturity and one bond issue. Fixed rate Eurobonds to a nominal value of EUR 397,274,000 with an original maturity date of 7 April 2021 were redeemed on 12 November 2020. Fixed rate Eurobonds to a nominal value of EUR 341,228,000 were issued on 12 November 2020 with a maturity date of 12 November 2025.

17. Retirement benefit asset

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

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Diversified growth funds	**7.4**	8.1	8.4
Corporate bonds	**19.0**	20.2	20.4
Liability driven investments	**21.8**	23.8	23.0
Other	**0.8**	0.8	0.4
Total fair value of scheme assets	**49.0**	52.9	52.2
Present value of funded defined benefit obligations	**(43.4)**	(48.4)	(48.8)
Net asset recognised in the balance sheet	**5.6**	4.5	3.4

The charge recognised in the income statement in respect of defined benefit pension costs is £nil (6 months ended 30 June 2020: £nil, 12 months ended 31 December 2020: £0.5 million credit).

18. Provisions

The Group receives claims brought by or on behalf of current and former customers in connection with its past conduct. Where significant, provisions are held against the costs expected to be incurred in relation to these matters. Customer redress provisions of £24.2 million represent the Group's best estimate of the costs that are expected to be incurred in relation to early settlement rebates in Poland (30 June 2021: £21.7 million; 31 December 2020: £17.6 million; 30 June 2020: £12.1 million) and claims management charges incurred in Spain (30 June 2021: £2.5 million; 31 December 2020: £1.6 million; 30 June 2020: £nil). All claims are expected to be settled within 12 months of the balance sheet date. Further details are included on page 26.

19. Fair values of financial assets and liabilities

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

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

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

In 2020 and 2021, there has been no change in classification of financial assets as a result of a change in purpose or use of these assets.

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

	Carrying value			Fair value		
	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m	**Unaudited 30 June 2021 £m**	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Financial assets						
Amounts receivable from customers	**674.2**	756.4	669.1	**902.8**	1,050.2	908.8
	674.2	756.4	669.1	**902.8**	1,050.2	908.8
Financial Liabilities						
Bonds	**402.7**	479.2	415.9	**430.8**	413.9	405.4
Bank borrowings	**69.1**	136.1	76.1	**69.1**	136.1	76.1
	471.8	615.3	492.0	**499.9**	550.0	481.5

The fair value of amounts receivable from customers has been derived by discounting expected future cash flows (as used to calculate the carrying value of amounts due from customers), net of agent collection costs, at the Group's weighted average cost of capital which we estimate to be 10% (30 June 2020: 9% and 31 December 2020: 10%) which is assumed to be a proxy for the discount rate that a market participant would use to price the asset.

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

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

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

	Unaudited Six months ended 30 June 2021 £m	Unaudited Three months ended 30 June 2021 £m	Unaudited Six months ended 30 June 2020 £m	Unaudited Three months ended 30 June 2020 £m	Audited Year Ended 31 December 2020 £m
Profit/(loss) after taxation	**22.9**	10.3	(61.5)	(66.5)	(64.2)
Adjusted for					
Tax charge	**20.4**	9.0	8.2	4.8	23.5
Finance costs	**25.8**	13.1	19.1	4.4	56.7
Finance income	**-**	-	-	-	(9.9)
Share-based payment (credit)/charge	**(1.1)**	(1.8)	1.8	0.9	1.1
Amortisation of intangible assets (note 10)	**6.9**	4.1	14.5	10.7	25.9
Loss/(profit) on disposal of property, plant and equipment	**0.2**	0.2	(0.1)	(0.1)	0.2
Depreciation of property, plant and equipment (note 11)	**2.8**	1.4	3.6	1.9	7.2
Depreciation of right-of-use assets (note 12)	**4.2**	2.1	5.0	2.3	9.9
Impairment of right-of-use assets (note 12)	**-**	-	-	-	0.5
Short term and low value lease costs	**0.6**	0.3	0.9	0.2	1.7
Changes in operating assets and liabilities					
Amounts receivable from customers	**(30.3)**	(32.0)	211.9	178.4	294.9
Other receivables	**(5.8)**	-	1.1	0.2	4.1
Trade and other payables	**12.9**	14.4	(18.3)	(15.0)	(31.2)
Provision for liabilities and charges	**5.8**	4.5	12.1	12.1	19.2
Retirement benefit asset	**(0.9)**	-	(0.9)	(0.9)	(1.4)
Derivative financial instruments	**(5.7)**	(2.7)	(21.4)	(2.1)	(8.4)
Cash generated from operating activities	**58.7**	22.9	176.0	131.3	329.8

21. Foreign exchange rates

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

	Average H1 2021	**Closing June 2021**	Average H1 2020	Closing June 2020	Average Year 2020	Closing December 2020
Polish zloty	**5.2**	**5.3**	5.1	4.9	5.0	5.1
Czech crown	**29.7**	**29.6**	30.4	29.4	30.1	29.3
Euro	**1.1**	**1.2**	1.1	1.1	1.1	1.1
Hungarian forint	**408.6**	**413.3**	401.1	381.6	399.0	405.7
Romanian leu	**5.6**	**5.7**	5.5	5.3	5.5	5.4
Mexican peso	**28.1**	**28.4**	28.8	27.8	28.3	27.1
Australian dollar	**1.8**	**1.8**	1.9	1.8	1.8	1.8

The £27.5 million exchange loss on foreign currency translations shown within the consolidated statement of comprehensive income arises on retranslation of net assets denominated in currencies other than sterling, due to the change in foreign exchange rates against sterling between December 2020 and June 2021 shown in the table above.

22. Contingent Liability Note

State Aid investigation

In late 2017 the European Commission (EC) opened a State Aid investigation into the Group Financing Exemption contained in the UK's controlled foreign company rules, which were introduced in 2013. In April 2019 the EC announced its finding that the Group Financing Exemption is partially incompatible with EU State Aid rules. In common with other UK-based international companies whose intra-group finance arrangements are in line with the UK's controlled foreign company rules, the Group is affected by this decision. On 12 February 2021 HMRC issued a Charging Notice, following the introduction of new legislation in December 2020 empowering HMRC to issue such Notices in order to collect alleged unlawful State Aid. The Charging Notice requires a payment of £14.2 million with respect to accounting periods ended 2013 to 2018, which was paid in February 2021, with a further amount of interest estimated at c. £1.3 million payable which is expected to be payable during H2 2021. The payment of this amount is a procedural matter, and the new law does not allow for postponement. The company has appealed the Charging Notice on the grounds of the quantum assessed.

The UK government has filed an annulment application before the General Court of the European Union. In common with a number of other affected taxpayers, IPF has also filed its own annulment application. Based on legal advice received regarding the strength of the technical position set out in the annulment applications, it is expected to be more likely than not that the payment of alleged State Aid that the Group has made under the Charging Notice will ultimately be repaid and therefore no provision has been recorded in the Financial Statements.

As a separate issue, HMRC has initiated a review of the Group's finance company's compliance with certain conditions under the UK domestic tax rules to confirm whether the company is eligible for the benefits of the Group Financing Exemption which it has claimed in its historic tax returns. IPF believes that all conditions have been complied with and have sought legal advice with regard to the interpretation of the relevant legislative condition. The legal advice has confirmed IPF's view and assessed that, in the event that HMRC were to take the matter to Tribunal, it is more likely than not that the company would succeed in defending its position. In the unexpected event that HMRC were to conclude that the company is not in compliance with the conditions and to pursue the matter in Tribunal, and won, the amount at stake for years up to and including 2018 is £7.3 million. This domestic tax issue and the State Aid issue are mutually exclusive, and the UK legislation implemented in December 2020 and referred to above includes provisions to ensure no double charge to tax arises. It is of note that currently HMRC have simply asked for information and no challenge has been made to the company's filing position.

23. Post Balance Sheet Events

There were no significant post balance sheet events.

24. Additional information required in accordance with the Warsaw Stock Exchange listing

Directors shareholdings and share interests

The table below presents the holdings of Company shares or options on Company shares of the directors of the Company as at the date of signing the year end Financial Statements (3 March 2021).

	Shares held	Options held				
	Owned outright	Unvested and subject to performance conditions	Unvested and subject to deferral only	Unvested and subject to continued employment	Vested but not yet exercisable and subject to continued employment	Vested and exercisable, but not yet exercised
Executive Directors						
Gerard Ryan	1,256,576	910,850	350,360	20,930	61,118	103,157
Justin Lockwood[1]	89,922	490,316	188,552	20,930	31,467	71,114
Non-executive Directors						
Deborah Davis	45,000	-	-	-	-	-
Richard Holmes	275,133	-	-	-	-	-
John Mangelaars	50,000	-	-	-	-	-
Richard Moat[2]	15,000	-	-	-	-	-
Cathryn Riley[3]	14,795	-	-	-	-	-
Stuart Sinclair	86,944	-	-	-	-	-
Bronwyn Syiek	20,000	-	-	-	-	-

[1] Justin Lockwood resigned from the Board on 23 July 2021

[2] Richard Moat resigned from the Board on 29 April 2021

[3] Cathryn Riley resigned from the Board on 29 April 2021

On 16 April 2021, Gerard Ryan acquired 140,697 shares following the exercise of share options under the Company Deferred Share Plan and Performance Share Plan.

The table below presents the holdings of Company shares or options on Company shares of the directors of the Company as at the date of issue of this report.

	Shares held	Options held				
	Owned outright	Unvested and subject to performance conditions	Unvested and subject to deferral only	Unvested and subject to continued employment	Vested but not yet exercisable and subject to continued employment	Vested and exercisable, but not yet exercised
Executive Directors						
Gerard Ryan	1,397,273	1,312,873	248,318	20,930	-	-
Non-executive Directors						
Deborah Davis	45,000	-	-	-	-	-
Richard Holmes	275,133	-	-	-	-	-
John Mangelaars	50,000	-	-	-	-	-
Stuart Sinclair	86,944	-	-	-	-	-
Bronwyn Syiek	20,000	-	-	-	-	-

Shareholding structure

The information provided below was correct at the date of notification, however, the date of receipt may not have been in the current financial period. It should be noted that these holdings are likely to have changed since the Company was notified. A notification of any change is not required until the next notifiable threshold is crossed.

As notified to the Company, pursuant to DTR 5.1.2, the table below presents the shareholders holding more than 5% of the total number of shares/voting rights of the Company as at the date of signing the year end Financial Statements (3 March 2021).

Shareholder	Number of shares/voting rights	% of issued share capital/total voting rights[1]
Aberforth Partners LLP	29,306,786	13.10
Standard Life Aberdeen plc	26,857,976	12.00
Marathon Asset Management LLP	22,220,369	9.93
FMR LLC	11,222,609	5.28
Artemis Investment Management LLP	11,452,288	5.11
Schroders plc	12,017,299	5.01

[1] The percentage of issued share capital in the table above is based on the Company's issued share capital at the point of notification.

Notifications were received from Aberforth Partners LLP on 12 March 2021 and from Artemis Investment Management LLP on 6 April 2021 of an interest in the issued share capital of the Company in accordance with the DTR.

As notified to the Company, pursuant to DTR 5.1.2, the table below presents the shareholders holding more than 5% of the total number of shares/voting rights of the Company as at the date of issue of this report.

Shareholder	Number of shares/voting rights	% of issued share capital/total voting rights[1]
Aberforth Partners LLP	31,544,397	14.10
Standard Life Aberdeen plc	26,857,976	12.00
Marathon Asset Management LLP	22,220,369	9.93
FMR LLC	11,222,609	5.28
Schroders plc	12,017,299	5.01

[1] The percentage of issued share capital in the table above is based on the Company's issued share capital at the point of notification.

Seasonality or cyclicality of the business
The Group's operations are not subject to seasonal or cyclical fluctuations.

Information about loan sureties or guarantees extended by the Group
In H1 2021 (and H1 2020), the Group did not grant any sureties or guarantees for loans.

Unusual items
In H1 2021 (and H1 2020 other than noted in note 8), there are no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, value or frequency.

Inventories
The Group does not hold any inventory, hence there have been no write downs or reversals of write downs from previous periods.

Write off of any assets
Other than noted in note 10, there are no items relating to write offs for impairment of financial assets, tangible fixed assets, intangible assets or any other assets, or reversal of such write offs from previous periods other than those specifically mentioned in this report.

Court cases
There have been no significant payments/settlements resulting from existing court cases in H1 2021 (H1 2020: no significant payments/settlements).

Corrections of errors from previous periods
In H1 2021, there are no errors from previous periods which require correction. (H1 2020: no errors requiring correction).

Issue, redemption and repayment of non-equity and equity securities
In H1 2021 (and H1 2020), other than disclosed in note 16, there were no other issuances, redemptions or repayments of non-equity and equity securities.

Responsibility statement

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

The directors confirm that to the best of their knowledge:

- the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the United Kingdom;
- the half-year Financial Report includes a fair review of the information required by DTR 4.2.7 (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year) and true, fair and clear view of the development, achievements, situation, asset and financial situation of the Company and its financial results; and
- the half-year Financial Report includes a fair review of the information required by DTR 4.2.8 (disclosure of related parties' transactions and changes therein).

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

Alternative performance measures

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

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Income statement measures			
Credit issued growth (%)	None	Not applicable	Credit issued is the principal value of loans advanced to customers and is an important measure of the level of lending in the business. Credit issued growth is the period-on-period change in this metric which is calculated by retranslating the previous half-year's credit issued at the average actual exchange rates used in the current financial year. This ensures that the measure is presented having eliminated the effects of exchange rate fluctuations on the period-on-period reported results.
Average net receivables (£m)	None	Not applicable	Average net receivables are the average amounts receivable from customers translated at the average monthly actual exchange rate. This measure is presented to illustrate the change in amounts receivable from customers on a consistent basis with revenue growth.
Average net receivables growth at constant exchange rates (%)	None	Not applicable	Average net receivables growth is the period-on-period change in average net receivables which is calculated by retranslating the previous half-year's average net receivables at the average actual exchange rates used in the current financial year. This ensures that the measure is presented having eliminated the effects of exchange rate fluctuations on the period-on-period reported results.
Revenue growth at constant exchange rates (%)	None	Not applicable	The period-on-period change in revenue which is calculated by retranslating the previous half-year's revenue at the average actual exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Revenue yield (%)	None	Not applicable	Revenue yield is reported revenue divided by average net receivables and is an indicator of the gross return being generated from average net receivables.
Impairment as a percentage of revenue (%)	None	Not applicable	Impairment as a percentage of revenue is reported impairment divided by reported revenue and represents a measure of credit quality that is used across the business. This measure is reported on a rolling annual basis (annualised).
Cost-income ratio (%)	None	Not applicable	The cost-income ratio is other costs divided by reported revenue. Other costs represent all operating costs with the exception of amounts paid to agents as collecting commission. This measure is reported on a rolling annual basis (annualised). This is useful for comparing performance across markets.
Balance sheet and returns measures			
Equity to receivables ratio (%)	None	Not applicable	Total equity divided by amounts receivable from customers, this is a measure of balance sheet strength.
Headroom (£m)	Undrawn external bank facilities	None	Headroom is an alternative term for undrawn external bank facilities.
Net debt	None	Not applicable	Borrowings less cash
Other measures			
Customers	None	Not applicable	Customers that are being served by our agents or through our money transfer product in the home credit business and customers that are not in default in our digital business.

Constant exchange rate reconciliations

The period-on-period change in profit and loss accounts is calculated by retranslating the 2020 half-year's profit and loss account at the average actual exchange rates used in the current year.

H1 2021

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customer numbers (000s)	**808**	**624**	**247**	**-**	**1,679**
Credit issued	**288.0**	**87.5**	**84.0**	**-**	**459.5**
Average net receivables	**388.6**	**95.1**	**173.2**	**-**	**656.9**
Revenue	**140.1**	**64.9**	**57.9**	**-**	**262.9**
Impairment	**9.0**	**(8.5)**	**(12.2)**	**-**	**(11.7)**
Net revenue	**149.1**	**56.4**	**45.7**	**-**	**251.2**
Finance costs	**(15.8)**	**(3.1)**	**(6.9)**	**-**	**(25.8)**
Agents' commission	**(21.6)**	**(10.7)**	**-**	**-**	**(32.3)**
Other costs	**(76.8)**	**(33.2)**	**(32.7)**	**(7.1)**	**(149.8)**
Profit before tax	**34.9**	**9.4**	**6.1**	**(7.1)**	**43.3**

H1 2020 performance, at average H1 2020 foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customer numbers (000s)	850	670	298	-	1,818
Credit issued	201.4	72.3	104.5	-	378.2
Average net receivables	483.2	119.0	260.7	-	862.9
Revenue	184.9	91.0	86.3	-	362.2
Impairment	(87.9)	(45.1)	(49.2)	-	(182.2)
Net revenue	97.0	45.9	37.1	-	180.0
Finance costs	(16.3)	(4.3)	(6.7)	-	(27.3)
Agents' commission	(25.3)	(11.0)	-	-	(36.3)
Other costs	(78.1)	(39.0)	(39.2)	(6.9)	(163.2)
Pre-exceptional loss before tax	(22.7)	(8.4)	(8.8)	(6.9)	(46.8)

Foreign exchange movements

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Credit issued	(6.1)	(4.8)	-	-	(10.9)
Average net receivables	(14.0)	(5.2)	(2.0)	-	(21.2)
Revenue	(5.7)	(3.5)	(0.4)	-	(9.6)
Impairment	2.4	(0.5)	0.8	-	2.7
Net revenue	(3.3)	(4.0)	0.4	-	(6.9)
Finance costs	0.4	0.2	-	-	0.6
Agents' commission	0.9	0.4	-	-	1.3
Other costs	1.8	1.3	0.2	-	3.3
(Loss)/profit before tax	(0.2)	(2.1)	0.6	-	(1.7)

Constant exchange rate reconciliations (continued)

H1 2020 performance, at average H1 2021 foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Credit issued	195.3	67.5	104.5	-	367.3
Average net receivables	469.2	113.8	258.7	-	841.7
Revenue	179.2	87.5	85.9	-	352.6
Impairment	(85.5)	(45.6)	(48.4)	-	(179.5)
Net revenue	93.7	41.9	37.5	-	173.1
Finance costs	(15.9)	(4.1)	(6.7)	-	(26.7)
Agents' commission	(24.4)	(10.6)	-	-	(35.0)
Other costs	(76.3)	(37.7)	(39.0)	(6.9)	(159.9)

Year-on-year movement at constant exchange rates

%	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Credit issued	47.5%	29.6%	(19.6%)	-	25.1%
Average net receivables	(17.2%)	(16.4%)	(33.0%)	-	(22.0%)
Revenue	(21.8%)	(25.8%)	(32.6%)	-	(25.4%)
Impairment	110.5%	81.4%	74.8%	-	93.5%
Net revenue	59.1%	34.6%	21.9%	-	45.1%
Finance costs	0.6%	24.4%	(3.0%)	-	3.4%
Agents' commission	11.5%	(0.9%)	-	-	7.7%
Other costs	(0.7%)	11.9%	16.2%	(2.9%)	6.3%

Independent review report to the members of International Personal Finance plc

We have been engaged by the company to review the condensed set of financial statements in the half-year Financial Report for the six months ended 30 June 2021 which comprises the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 24. We have read the other information contained in the half-year Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-year Financial Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-year Financial Report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the United Kingdom. The condensed set of financial statements included in this half-year Financial Report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the United Kingdom.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-year Financial Report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

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

Deloitte LLP

Statutory Auditor
Leeds, United Kingdom
27 July 2021

Investor relations and media contact

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International Personal Finance will host a webcast of its 2021 half-year results presentation at 09.00hrs (BST) today – 27 July 2021, which can be accessed in the Investors section of our website at www.ipfin.co.uk.

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

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