Full-year financial report
for the year ended 31 December 2022

CONTENTS PAGE

Key highlights	3
Alternative performance measures	4
Investor relations and media contact	4
Chief Executive Officer's review	5
Group performance	5
Our purpose and strategy	5
Marketplace	6
Financial model	7
Environmental, social and governance (ESG)	7
Dividend	8
Regulatory update	8
Board changes	9
Outlook	9
Financial review	10
Group	10
European home credit	12
Mexico home credit	14
IPF Digital	15
Taxation	17
Funding and balance sheet	17
Consolidated income statement	19
Consolidated statement of comprehensive income	20
Consolidated balance sheet	21
Consolidated statement of changes in equity	22
Consolidated cash flow statement	23
Notes to the consolidated financial information	24
Responsibility statement	47
Alternative performance measures	48
Information for shareholders	53
Investor relations and media contact	53

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 before taxation and earnings per share, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate (CER) for the period to present the performance variance.

1 March 2023
International Personal Finance plc
Full-year financial report for the year ended 31 December 2022

Principal activity
International Personal Finance plc is helping to build a better world through financial inclusion by providing unsecured consumer credit to underserved customers across nine markets.

STRONG GROWTH AND FINANCIAL PERFORMANCE

Key highlights

- **Very good financial performance underpinning a 15% increase in the full-year dividend**
  - Reported profit before tax of £77.4m (2021: £67.7m) up 14.3%, with all three business divisions delivering profitable performances.
  - Significant uplift in performance and strong balance sheet gives confidence to propose a final dividend of 6.5p per share (2021: 5.8p), resulting in full-year dividend growth of 15%.

- **Strategy delivering strong growth with credit quality maintained**
  - Customer lending and receivables growth of 14% (at constant exchange rates (CER)), with all three divisions delivering strong growth.
  - Customer repayment performance remains robust and, together with continued tight credit standards, delivered an impairment rate of 8.6% (2021: 4.9%).

- **Robust funding position and strong balance sheet to fund growth**
  - Headroom on funding facilities of £76m, supports the Group's growth plans into 2024.
  - Equity to receivables ratio of 51% at 2022 (2021: 51%), underpins growth plans and progressive dividend policy.

- **Substantial and sustainable long-term opportunities**
  - Delivering target returns of c.20%[1,2] in both European and Mexican home credit, with excellent growth opportunities to achieve scale and target returns in IPF Digital.
  - New credit card offering in Poland performing ahead of our expectations and have issued almost 10,000 cards.
  - All three divisions have made a good start to 2023 with no discernible impact from cost-of-living increases on customer demand or repayment performance.

Group key statistics	**2022**	2021	YOY change at CER
Customer numbers (000s)	**1,733**	1,727	0.3%
Customer lending (£m)	**1,126.4**	982.1	13.7%
Closing net receivables (£m)	**868.8**	716.8	14.2%
Reported PBT (£m)	**77.4**	67.7	
Pre-exceptional EPS (pence)[2]	**20.8p**	18.8p	
Full-year dividend per share (pence)	**9.2p**	8.0p	

1 *Based on required equity to receivables of 40%.*
2 *Before an exceptional tax credit of £10.5m, see page 17 for details.*

Gerard Ryan, Chief Executive Officer at IPF commented:

"We made further good progress against our strategy in 2022, with reported Group profit before tax up 14.3% and all three divisions performing well. On an underlying basis, Group profit before tax was up 117% year on year. I am delighted to report that, notwithstanding the challenges created by increased costs of living and the war in Ukraine, we delivered strong growth in customer lending and receivables of 14% while maintaining our very good portfolio quality. As a result of our strong performance, the Board is proposing a final dividend of 6.5 pence per share, resulting in full-year dividend growth of 15%.

I would like to thank all my colleagues for their unwavering commitment to serving our customers and delivering this very strong performance. We are very mindful of the potential adverse impacts that the macroeconomic landscape might have on us and our customers, but we are confident our cautious approach and strong balance sheet provide the foundation for delivering significant future growth."

Alternative performance measures

This full-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 full-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.

Investor relations and media contact

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International Personal Finance will host a webcast of its 2022 full-year results presentation at 09.00hrs (BST) today – Wednesday 1 March 2023, which can be accessed via 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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Chief Executive Officer's review

Group performance

We delivered strong growth and a very good financial performance across the Group in 2022, despite the challenges of resurgent Covid-19 outbreaks early in the year, the outbreak of war in Ukraine and the cost-of-living crisis. As we rescaled the business following the pandemic, robust operational execution of our strategy resulted in customer lending and receivables both increasing by 14% (at CER) year on year. Profit before tax showed growth of 14.3% to £77.4m and, pleasingly, all three business divisions delivered good lending growth and contributed profitable performances to the Group result.

Our primary goal continues to be delivering our purpose to build a better world through financial inclusion whilst driving shareholder value. European home credit and Mexico home credit are both delivering our target returns of an RORE of around 20% whilst also delivering strong growth. IPF Digital is not yet delivering our target returns, but we continue to see strong organic opportunities to rebuild scale and deliver our target returns, and it was pleasing that our digital businesses in Mexico and Australia both delivered profit contributions for the first time in 2022.

The Group continues to have a well-capitalised balance sheet and robust funding position, with headroom on debt facilities of £76m, which supports our business plans into 2024. As a result of our performance in 2022 and our strong balance sheet, the Board is proposing a 12.1% increase in the final dividend to 6.5p (2021: 5.8p) which, together with the interim dividend of 2.7p (2021: 2.2p), results in full-year dividend growth of 15.0% to 9.2p (2021: 8.0p).

Full details of the Group financial performance are detailed in the financial review section.

Our purpose and strategy

Building a better world through financial inclusion

Our Group is an internationally important consumer credit provider, helping people excluded from mainstream finance to access simple, personal and affordable finance and insurances to assist and protect them and their families. We aim to support customers on low-to-moderate incomes including those with limited or no credit history, as well as customers who are regularly refused credit by banks. We do so through our family of simple products that meet our customers' specific needs and by creating the channels to make them as accessible as possible.

A strategy for growth

Our growth strategy focuses on delivering excellent service to our existing loyal customers and increasing our number of compelling product choices and channels to attract the next generation of consumers. Over the last 25 years we have built a family of lending products ranging from customer representative-managed loans through to digital instalment loans, revolving credit lines and mobile wallet products. We deploy a range of products across our nine markets tailored to meet both the preferences of our target customers and local regulatory requirements. As well as our credit products, we also provide additional value to our customers through the provision of customised insurances at much lower prices than our customers can obtain themselves.

We continued to successfully execute our strategy to support financial inclusion and deliver growth throughout 2022 and, as a result of our deep understanding of their needs, we remain in a strong position to support our customers even in these more difficult times.

In addition to navigating the impacts of the war in Ukraine and the resulting cost-of-living crisis in 2022, another significant hurdle arose with the introduction of a significantly lower, non-interest rate cap in Poland which was first proposed six years ago, and eventually came into force in December 2022. The new total cost of credit (TCC) legislation reduced the maximum non-interest fees that can be charged on a loan to 45% of the loan value, from 100% previously. Unaffected by these proposals is the ability for consumer credit lenders in Poland to continue to charge interest (currently 20.5% per annum), in addition to non-interest charges. The new legislation also includes new affordability rules and a requirement for nonbank financial institutions to be supervised by the Polish financial supervision authority, the Komisja Nadzoru Finansowego (KNF), which come into force in May 2023 and January 2024 respectively.

To enable us to carry on serving our consumer segment in Poland, we have evolved our product offering to meet changing consumer needs and to prepare for the introduction of the new lower TCC. We are pleased with the progress we have made in diversifying our product range, which includes digital instalment loans, an expanded range of value-added services and the launch of a new credit card product in the third quarter of 2022. Developed specifically for our consumer segment, the credit card combines many features of an instalment loan with the added flexibility of a credit card. Our customer representatives remain at the core of our relationship with customers and will continue to visit their homes regularly to provide service and collect repayments. We have issued almost 10,000 cards and, encouragingly, the rollout is tracking ahead of our plans.

We also made further good progress throughout the Group against our other strategic objectives in 2022. In Mexico, where we are expanding our geographic footprint to capture the significant customer and lending growth potential in this market, we opened in Tijuana in northwest Mexico in July 2022, and will commence operations in Tampico located in the east of Mexico from March 2023. Our research indicates a target market of 1.7m consumers in our segment in these regions. We also increased our customer representative network by 660 agencies in Mexico, within or close to our existing geographic footprint.

In order to support people who apply for a digital loan but whose credit record is not strong enough to warrant a fully digital service, we increased the number of customers taking advantage of our hybrid product offering – a unique blend of customer representative and digital channels available in Poland and Mexico. Our mobile wallet is now available in three markets – Estonia, Latvia and Lithuania, and our retail point of sale partnership tests continue in Romania and Mexico. Following a successful test in Romania, we also invested in and began the rollout of a single, cloud-based customer relationship management (CRM) tool to improve the customer experience, as well as laying the foundation for future digital channels.

Marketplace
The global economic and cost-of-living crisis, particularly in our European markets, is the largest challenge facing our business both in terms of its impact on our customers as well as increased costs across the Group. The onset of the war in Ukraine in February 2022 led to significant inflationary increases in all our territories, and while these levels in Europe have reduced marginally in recent months, high inflation and interest rates are expected to persist in 2023.

The segment of consumers we serve has been affected by rapidly rising prices because, proportionately, they spend a larger share of their income on food, fuel and energy, all of which have been impacted by high inflation. While their disposable income has come under pressure, these factors have not had a discernible impact on customer demand or repayments to date. However, given the macroeconomic outlook, we took responsible and prudent action in the fourth quarter of 2022 to tighten our credit settings for consumers with higher credit risk profiles, thereby protecting customers from potential over indebtedness and minimising credit risk to the business. We continue to monitor performance carefully and will adjust credit settings as appropriate.

While all our markets remain very competitive, there has been a significant reduction in activity by buy-now-pay-later operators and smaller fintech businesses. We have also seen banks tightening their underwriting as the effects of high inflation continues to impact consumers' disposable income. Our intention is to continue to support loyal, high-quality customers whilst maintaining our focus on maintaining lending quality.

Financial model

As we reported with our 2022 interim results, we formalised our financial model in the first half of the year to underpin our purpose and strategy, while balancing the needs of all our stakeholders. This has been embedded into all of our business decisions, performance analysis and planning. We aim to deliver sustainable earnings growth whilst maintaining a strong balance sheet, adopting a progressive dividend policy and investing in the continued expansion of the business.

Our financial model is as follows:

- Delivery of a sustainable Return on Required Equity (RORE) of 15% to 20%…
- Supports a minimum return to shareholders of 40%...
- Allows receivables growth of up to 10% per annum…
- Whilst maintaining an equity to receivables ratio at around 40%.

We will calculate our returns based on a required equity base of 40% of receivables rather than actual equity. This allows us to ensure comparability between divisions and is more consistent with the financial model which assumes a 40% equity to receivables ratio. We will also continue to disclose our ROE on a Group basis.

Our financial model is supported by a stringent focus on the revenue yield, impairment rate and cost-income ratio being delivered by each of our businesses. We have made strong progress against each of our core KPI's in 2022 as set out in the financial review section.

We will rigorously deploy our capital and will only make investments in receivables and other assets if they deliver our threshold returns.

Environment, social and governance (ESG)

We have a very strong social purpose and are committed not only to supporting our customers by providing affordable and transparent credit in a responsible way, but also by striving to have a positive effect on all our stakeholders as we invest in promoting financial inclusion, developing the capabilities of our team who serve millions of customers and implementing our climate change strategy.

The key progress made in 2022 included:

- Approval by the Board of the Group's environment strategy.
- Embedding climate change within the Group's Enterprise Risk Management framework.
- Investing more than £1m in community initiatives including the rollout of our new 'Invisibles' programme highlighting the plight of underprivileged, marginalised and excluded members of society.
- Partnering with Harvard University and LinkedIn Learning to deliver development programmes to colleagues.
- Creating an extensive development programme for customer representatives to extend their careers beyond their current roles.
- Securing the long-term lease on and renovating a large property in Warsaw to create an award-winning safe house for displaced mothers from Ukraine and their children.

During the year, our businesses were also recognised for their customer service, high workplace standards, gender diversity profile and community investment programmes. These awards included Top Employer in Poland; Great Place to Work for Women in Mexico; Superbrand in Hungary; and Global Green Business in Poland. We were included in the European Commission's Diversity Index in the Czech Republic, recognised as a Socially Responsible Company in Mexico and acclaimed the Best Non-Bank Financial Institution in Romania for our contribution to financial education and transparency. We are very proud of these awards, and they are testament to the dedication of our colleagues to our strong social purpose.

Dividend

Based on the successful execution of our growth strategy and continued significant growth potential, the Board is pleased to declare a 12.1% increase in the final dividend to 6.5 pence per share. This is in line with the Group's progressive dividend policy and brings the full-year dividend to 9.2 pence per share (2021: 8.0 pence per share), an increase of 15% on 2021 and representing a pre-exceptional payout rate of 44% (2021: 43%). This is a higher payout rate than the 40% minimum rate within our financial model and, as previously indicated, the Board is utilising surplus capital above our 40% equity to receivables ratio to pay a higher rate whilst the business rebuilds both scale and our returns to the target range of between 15% and 20%. Subject to shareholder approval, the final dividend will be paid on 5 May 2023 to shareholders on the register at the close of business on 11 April 2023. The shares will be marked ex-dividend on 6 April 2023.

Regulatory update

As previously reported, a proposal to reduce the non-interest cost of credit cap in Poland was enacted in December 2022. The new legislation also includes new affordability rules which become effective in May 2023 and all non-bank financial institutions will be supervised by the Polish financial supervision authority, the KNF, from January 2024. Details of our response and credit card launch can be found in the European home credit section of this statement.

There have been no material updates on the EU's review of the Consumer Credit Directive or a revised draft law imposing a total cost of credit cap in Romania, details of which were included in our 2022 half-year results statement. We expect that a final compromise proposal on the Consumer Credit Directive will be published later in 2023.

In Hungary, the temporary Covid-19 debt repayment moratorium expired on 31 December 2022.

Board changes
We saw a number of changes to our Board during the year. Gary Thompson was appointed to the Board as Chief Financial Officer on 4 April 2022 and, with his wealth of sector-specific experience and skills, is a very strong addition to the IPF leadership team. I am also delighted to welcome two new non-executive directors, Katrina Cliffe and Aileen Wallace, who joined the Board in August and December 2022 respectively, bringing extensive experience of retail financial services and technology to the Group. Non-executive directors Bronwyn Syiek and John Mangelaars resigned from the Board in June and December respectively and they both leave the Group with our sincere thanks for their service.

Outlook
Every day we aim to provide underserved consumers with access to simple, personal, and affordable loans and insurances to help and protect them and their families. There is significant demand for affordable credit within our demographic and we see substantial and sustainable long-term growth opportunities through meeting the needs of more consumers with an increased choice of products and distribution channels.

2022 represented a very good year of operational execution and strong recovery following the Covid-19 pandemic. Both our European and Mexico home credit businesses are delivering our target returns of a RORE of around 20% whilst also delivering strong growth. IPF Digital is also very well placed to rebuild scale and deliver our target returns in the medium term. It is very pleasing that our digital businesses in Mexico and Australia both delivered profit contributions for the first time in 2022.

In 2023, our focus will be on transitioning our Polish business to the new lower TCC, rolling out mobile wallet and continuing the very successful territory extension plan in Mexico home credit. We will also maintain strict control of costs and we see further opportunities to drive operational and structural cost efficiencies.

We have a strong balance sheet and robust funding position with headroom on our funding facilities to support our business plans into 2024. As previously outlined, we expect overall Group receivables growth in 2023 to be more modest and our returns to moderate as we transition the Polish business under the new lower TCC. We are very encouraged by the roll-out of the new credit card which is tracking above our initial expectations, and we remain focused on rebuilding returns in 2024 and then delivering target returns of 15% to 20% from 2025 onwards.

All three business divisions have started 2023 well and we have seen no discernible impact on customer demand or repayment behaviour from the increases in the cost of living. Notwithstanding this, we continue to adopt a cautious approach to credit. We have a strong track record as a resilient business through economic cycles and are well positioned to respond quickly if we see any material changes while continuing to support our customers through more difficult times.

Financial review

Group

We delivered strong growth and a very good financial performance across the Group as we continued to execute well against our strategy in 2022. Profit before tax of £77.4m (2021: £67.7m) shows growth of 14.3% and reflects a strong recovery in lending post Covid-19 and a very good operational performance, despite the challenges of the macroeconomic landscape. Excluding the benefit of Covid-19 impairment provision releases of £32.0m from 2021 reported profits, underlying profit before tax grew 117% in 2022. An analysis of profits between our three trading divisions is set out below:

		2021		Change	
	2022	Reported	Underlying*	Reported	Underlying*
	£m	£m	£m	%	%
European home credit	**65.6**	54.5	33.9	20.4	93.5
Mexico home credit	**17.7**	18.4	10.7	(3.8)	65.4
IPF Digital	**8.8**	8.7	5.0	1.1	76.0
Central costs	**(14.7)**	(13.9)	(13.9)	(5.8)	(5.8)
Profit before taxation	**77.4**	67.7	35.7	14.3	116.8

* *Prior to Covid-19 impairment provision releases of £32m in 2021 which have not been repeated in 2022.*

The detailed income statement of the Group, together with associated KPIs is set out below:

	2022	2021	Change	Change	Change at CER
	£m	£m	£m	%	%
Customer numbers (000s)	**1,733**	1,727	6	0.3	
Customer lending	**1,126.4**	982.1	144.3	14.7	13.7
Closing net receivables	**868.8**	716.8	152.0	21.2	14.2
Revenue	**645.5**	548.7	96.8	17.6	15.1
Impairment	**(106.7)**	(56.2)	(50.5)	(89.9)	(70.4)
Revenue less impairment	**538.8**	492.5	46.3	9.4	8.1
Costs	**(393.3)**	(370.8)	(22.5)	(6.1)	(4.4)
Interest expense	**(68.1)**	(54.0)	(14.1)	(26.1)	(26.8)
Reported profit before taxation	**77.4**	67.7	9.7	14.3	
Reported profit before taxation	**77.4**	67.7	9.7	14.3	
Covid-19 provision releases	**-**	(32.0)	32.0	n/a	
Underlying profit before taxation	**77.4**	35.7	41.7	116.8	
Revenue yield	**51.9%**	48.1%	3.8 ppts		
Impairment rate	**8.6%**	4.9%	(3.7) ppts		
Cost-income ratio	**60.9%**	67.6%	6.7 ppts		
Pre-exceptional EPS[1]	**20.8p**	18.8p	2.0 ppts		
Pre-exceptional ROE[1]	**11.5%**	11.4%	0.1 ppts		
Pre-exceptional RORE[1,2]	**14.6%**	15.1%	(0.5) ppts		

[1] *Prior to an exceptional tax credit of £10.5m in 2022.*
[2] *Based on required equity to receivables of 40%.*

We play an important role in delivering financial inclusion, enabling people with limited borrowing options to access regulated credit in a responsible way. The successful execution of our growth strategy to rescale the business following the pandemic resulted in customer lending growth of 14% (at CER), driven by strong performances from all three divisions. This growth was achieved despite the Covid-19 restrictions earlier in the year, the impact of the war in Ukraine which resulted in softer demand in the first quarter of 2022 in Europe, and the challenging macroeconomic landscape which subsequently unfolded across the globe. Demand improved though the remainder of the year, although we continue to take a conservative approach to lending and tightened our credit criteria across most of our geographies as a precautionary measure due to the significant increase in the cost of living for our customers. We remain very mindful of the impact of inflation on disposable incomes, particularly the significant increases in food, fuel and utility prices, and will continue to manage our credit settings to match the situation in each of our markets.

Our closing net receivables portfolio increased by £152m (14% at CER) to £869m at the end of 2022 as we continued to successfully execute our rebuild strategy. All three divisions delivered strong receivables growth, despite tightened credit criteria. As communicated at our third quarter update, we expect overall Group receivables growth in 2023 to be relatively modest as we transition our Polish business to the new lower TCC cap.

The Group's annualised revenue yield strengthened from 48.1% in 2021 to 51.9% in 2022, reflecting a combination of four factors: (i) the stronger growth in Mexico home credit which carries a higher yield; (ii) the reduction in customer accounts in stage 3 (which do not attract as much interest under IFRS 9) due to improved repayment performance post Covid-19; (iii) selective price increases, mainly in European home credit; and (iv) a reduction in promotional activity. These factors have been partially offset by an increase in rebates provided to customers in Poland. Based on our current product set and regulation, in the medium term, we expect the Group revenue yield to increase to within a range of 53% to 56% as Mexico home credit grows to represent a larger proportion of the Group's receivables book.

Having close relationships with our customers encourages a strong repayment ethos and is a core strength of the business. Combined with the responsible lending decisions we take when serving them, the quality of our loan portfolio continues to be good in all divisions. Customer repayments remained robust driven by solid operational execution, and this resulted in an annualised impairment rate of 8.6% (2021: 4.9%). This metric continues to be lower than pre-Covid-19 levels and has benefited from improved credit quality and strong execution on debt sale activity and post-charge off recoveries, delivering c.£15m more customer repayments than 2021. We expect our Group annualised impairment rate to rise to around 14% to 16% as we regrow the business and the Covid-19 period flows out of the calculations. Our balance sheet remains robust against the combined impact of cost-of-living increases and the aftereffects of Covid-19, with an impairment coverage ratio of 36.4% at the end of 2022 (2021: 37.8%). This compares with a pre-Covid-19 ratio of 33.5% at the end of 2019.

We continued to maintain a stringent focus on costs as we grew the business and as a result, the annualised cost-income ratio improved by 6.7 ppts year on year to 60.9% in 2022 (2021: 67.6%). We are continuing to drive process efficiency through investing in technology and we expect the cost-income ratio to reduce to within a range of 52% to 54% over the medium term as we achieve greater scale.

Reported EPS was 25.6p per share (2021: 18.8p), up 36% on 2021. Excluding an exceptional tax credit of £10.5m in 2022, EPS growth was 11%.

Our pre-exceptional RORE for 2022 of 14.6% (2021: 15.1%) is close to the lower threshold of our target level of 15% to 20%, reflecting the strong progress made in the year on rebuilding the Group following Covid-19. The Group's pre-exceptional ROE, based on actual equity, was 11.5% in 2022, up from 11.4% in 2021. We anticipate Group returns moderating in 2023 as we transition the Polish business to the new lower TCC cap but expect to rebuild in 2024 and deliver our target returns in 2025.

European home credit

European home credit performed very well in 2022, delivering a profit before tax of £65.6m (2021: £54.5m) up 20.4%, reflecting strong execution against our recovery plan. Excluding the benefit of Covid-19 impairment provision releases of £20.6m from 2021 reported profits, underlying profit before tax grew 93.5% in 2022.

	2022	2021	Change	Change	Change at CER
	£m	£m	£m	%	%
Customer numbers (000s)	**784**	810	(26)	(3.2)	
Customer lending	**637.0**	599.2	37.8	6.3	9.9
Closing net receivables	**501.0**	425.9	75.1	17.6	14.4
Revenue	**317.5**	284.7	32.8	11.5	14.8
Impairment	**(5.2)**	1.6	(6.8)	(425.0)	(533.3)
Revenue less impairment	**312.3**	286.3	26.0	9.1	12.5
Costs	**(203.9)**	(197.8)	(6.1)	(3.1)	(5.8)
Interest expense	**(42.8)**	(34.0)	(8.8)	(25.9)	(30.5)
Reported profit before taxation	**65.6**	54.5	11.1	20.4	

	2022	2021	Change	Change	Change at CER
Reported profit before taxation	**65.6**	54.5	11.1	20.4	
Covid-19 provision releases	**-**	(20.6)	20.6	n/a	
Underlying profit before taxation	**65.6**	33.9	31.7	93.5	

	2022	2021	Change
Revenue yield	**42.5%**	40.2%	2.3 ppts
Impairment rate	**0.7%**	(0.3%)	(1.0) ppts
Cost-income ratio	**64.3%**	69.5%	5.2 ppts
Pre-exceptional RORE	**21.3%**	20.7%	0.6 ppts

Despite the challenging trading environment in Europe and ongoing concerns about the war in Ukraine, we delivered a 10% increase in customer lending in 2022. This was despite a decline in lending of 1.6% in the first quarter of the year. This strong performance reflects steady growth in demand for credit from the second quarter onwards, and a very good operational performance in all four markets despite continued tight credit standards and the increase in the costs of living for consumers.

Customer numbers reduced modestly by 3% to 784,000, reflecting the weaker demand during the first quarter and our decision to proactively tighten our credit settings for consumers with higher credit risk profiles as a precautionary measure in the fourth quarter of the year. Customer repayment performance in the early months of 2023 remains robust.

Closing net receivables grew by 14% (at CER) to £501m, reflecting the strong growth in customer lending. This, in turn, supported revenue growth of 15% (at CER). The revenue yield improved from 40.2% to 42.5%, reflecting: (i) the reduction in customer accounts in stage 3 (which do not attract as much interest under IFRS 9) due to improved repayment performance post Covid-19; and (ii) actions to bolster the revenue yield, including modest price increases in all four countries and reduced promotional activity. These positive impacts to the yield were partly offset by the impact of changes in rebates in Poland which means that we refund more of the service charge back to customers when they repay early (c.£12m impact in 2022).

Customer repayment performance during the year was strong which, together with tight credit standards, delivered an impairment rate of 0.7%, up from a credit of 0.3% in 2021. The 2021 metric benefited from Covid-19 provision releases of £20.6m and, excluding this provision release the metric would have been 2.5%. The underlying improvement in the year reflects improved credit quality and strong execution on debt sale and centralised post-charge off recoveries which delivered approximately £15m more in customer repayments than the relatively low level achieved in 2021. We will continue to maintain tight credit standards in light of the ongoing uncertainty regarding the cost-of-living crisis.

The cost-income ratio showed a marked reduction of 5.2 ppts year on year to 64.3% (2021: 69.5%), reflecting the growth in lending and continued tight cost control across each of our businesses. We continue to drive more efficient processes and deliver greater synergies across our four countries, including through the deployment of technology.

The pre-exceptional RORE in European home credit strengthened from 20.7% in 2021 to 21.3% in 2022, as a result of strong growth, a sound impairment performance and tight control of costs. This is in line with the Group's expected returns from each of our divisions. We expect European home credit returns to be at a lower level in 2023 and 2024 as we transition our Polish business to the new lower TCC.

In advance of the new lower TCC in Poland being enacted in December 2022 and as part of our strategy to enhance our product offering to existing and new customers, we launched our first credit card proposition in Poland. The new offering features a revolving credit limit and credit card that provides greater flexibility to our customers who can use it for both online and offline transactions. Funds can be withdrawn from ATMs or disbursed through customer representatives, and it is envisaged that repayments will, in the vast majority of cases, be collected by a customer representative, thus retaining the unique relationship they have with their customers. We have issued almost 10,000 cards to customers and expect to build the new portfolio to a broadly similar customer base that we have always served over the next two to three years. We expect the receivables book in Poland to reduce by c.25% in 2023, resulting in an overall decline in European home credit receivables, before substantially recovering through 2024. We estimate that the impact of the transition to our credit card product will reduce European home credit profits by between £15m to £20m in each of 2023 and 2024, after which the Polish business and European home credit will return to delivering our target returns of approximately 20% RORE.

More widely in European home credit, we will continue to expand our remote digital offering in the Czech Republic and examine the feasibility of a digital offering wherever we have a home credit business. We will also continue to closely monitor the impact of the macroeconomic uncertainty on customers' disposable incomes and their demand for credit, and will continue to maintain our strong credit standards.

Mexico home credit

Mexico home credit delivered strong growth and a very good operational performance, reporting profit before tax of £17.7m (2021: £18.4m). Excluding the benefit of Covid-19 impairment provision releases of £7.7m in 2021, underlying profit before tax grew 65.4%.

	2022 £m	2021 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**696**	654	42	6.4	
Customer lending	**257.4**	194.2	63.2	32.5	16.8
Closing net receivables	**158.5**	117.6	40.9	34.8	14.2
Revenue	**210.9**	146.0	64.9	44.5	27.4
Impairment	**(75.5)**	(33.8)	(41.7)	(123.4)	(91.6)
Revenue less impairment	**135.4**	112.2	23.2	20.7	7.3
Costs	**(107.8)**	(87.2)	(20.6)	(23.6)	(10.7)
Interest expense	**(9.9)**	(6.6)	(3.3)	(50.0)	(32.0)
Reported profit before taxation	**17.7**	18.4	(0.7)	(3.8)	
Reported profit before taxation	**17.7**	18.4	(0.7)	(3.8)	
Covid-19 provision releases	**-**	(7.7)	7.7	n/a	
Underlying profit before taxation	**17.7**	10.7	7.0	65.4	
Revenue yield	**88.2%**	81.5%	6.7 ppts		
Impairment rate	**31.6%**	18.9%	(12.7) ppts		
Cost-income ratio	**51.1%**	59.7%	8.6 ppts		
Pre-exceptional RORE	**19.2%**	27.1%	(7.9) ppts		

Mexico home credit is delivering strong returns in a market with high demand for credit and significant growth potential. Our growth strategy to capture Mexico's potential centres on increasing penetration within our existing footprint and extending into new regions. We are also improving the customer experience and leveraging synergies with IPF Digital. We opened 660 new agencies in 2022 within or close to our current territory and launched a new region in the Northwest of Mexico (Tijuana). We will also open a new region in Tampico in March 2023. The investments we made in expanding our reach together with good customer demand supported a 17% increase (at CER) in customer lending year on year and a 6% rise in customers to 696,000.

Closing net receivables increased by 14% (at CER) to £158.5m which drove a significant increase in revenue of 27% year on year (at CER). The revenue yield improved from 81.5% in 2021 to a more normalised level of 88.2% in 2022, reflecting the reduction in customers in stage 3 which attract less interest under IFRS 9. During the peak of Covid-19, approximately 50% of customers were in stage 3 compared with just under 30% at 2022.

At the same time as delivering significant growth, we continued to maintain robust customer repayments. The impairment rate increased by 12.7 ppts to 31.6% year on year reflecting the impact of IFRS 9 on a strongly growing receivables book as well as Covid-19 provisions released in 2021 no longer being included in the calculation (2021: £7.7m). The rate was marginally above our target level for Mexico home credit of approximately 30%. Customer repayments in January 2023 have been strong and we expect to bring the impairment rate down to target levels in 2023.

In line with our growth strategy, we continued to invest in expanding our customer representative network and geographic footprint into the Northwest of Mexico which resulted in costs in 2022 increasing by 10.7% (at CER). However, the cost-income ratio improved by 8.6 ppts to 51.1% year on year (2021: 59.7%) demonstrating the benefit of operational leverage in this growing business and good cost control.

Mexico home credit delivered a pre-exceptional RORE of 19.2% (2021: 27.1%), only marginally below our upper target of 20%, despite delivering significant growth and opening a new region in Tijuana. Investing in sustainable growth whilst maintaining target returns remains our key focus.

Our Mexico home credit business offers very exciting and significant long-term prospects. By successfully delivering on our strategy, we will continue to deliver sustainable growth to ensure consistent returns. We will enhance territory management to maximise customer reach within the current geographic footprint and selectively digitise the customer journey. We will also continue to build on the synergies developed with IPF Digital which is helping us financially include more people in Mexico.

IPF Digital

IPF Digital delivered very positive growth momentum in all our ongoing markets and reported a profit before tax of £8.8m (2021: £8.7m). Excluding the benefit of Covid-19 impairment provision releases of £3.7m in 2021, underlying profit before tax grew by 76.0% in 2022.

	2022 £m	2021 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**253**	263	(10)	(3.8)	
Customer lending	**232.0**	188.7	43.3	22.9	21.5
Closing net receivables	**209.3**	173.3	36.0	20.8	13.9
Revenue	**117.1**	118.0	(0.9)	(0.8)	(1.3)
Impairment	**(26.0)**	(24.0)	(2.0)	(8.3)	(6.6)
Revenue less impairment	**91.1**	94.0	(2.9)	(3.1)	(3.4)
Costs	**(67.0)**	(72.0)	5.0	6.9	8.0
Interest expense	**(15.3)**	(13.3)	(2.0)	(15.0)	(15.0)
Reported profit before taxation	**8.8**	8.7	0.1	1.1	
Reported profit before taxation	**8.8**	8.7	0.1	1.1	
Covid-19 provision releases	**-**	(3.7)	3.7	n/a	
Underlying profit before taxation	**8.8**	5.0	3.8	76.0	
Revenue yield	**45.4%**	46.4%	(1.0) ppts		
Impairment rate	**10.1%**	9.4%	(0.7) ppts		
Cost-income ratio	**57.2%**	61.0%	3.8 ppts		
Pre-exceptional RORE	**6.9%**	7.5%	(0.6) ppts		

Our strategy to grow our IPF Digital business reflects increasing demand from consumers who are looking for end-to-end digital services, and we are rebuilding receivables to gain scale and deliver our target returns following the closure of our businesses in Finland in 2020 and Spain in 2021. All six ongoing countries of Estonia, Latvia, Lithuania, Poland, Mexico and Australia and our two collect-out countries of Finland and Spain, delivered a profit contribution in 2022. Very pleasingly, 2022 was the first year of Mexico and Australia moving into profit.

We saw very strong demand for credit in 2022 and delivered a 22% increase in customer lending year on year with Mexico (67%) and Australia (36%) growing particularly strongly, and Poland (26%) and the Baltic markets (22%) also delivering good growth. We are now serving 253,000 customers and excluding the impact of the portfolio collect outs in Finland and Spain, customer numbers increased by 7%, mainly driven by the strong growth in Mexico and Australia.

The strong growth in lending resulted in closing net receivables ending the year at £209m, an increase of 14% (at CER). The growth was delivered despite a £12m reduction in receivables in Finland and Spain, where the collect-outs have exceeded expectations. Excluding the collect-out portfolios, net receivables growth of 22% (at CER) was delivered despite continued tight credit standards, with Mexico (63%) and Australia (37%) delivering the most significant growth whilst the Baltic markets also delivered growth of 13%. The receivables book in Poland showed a modest reduction as we closed one of our two brands to improve returns.

The revenue yield decreased marginally from 46.4% in 2021 to 45.4% in 2022. This reflects the impact of a combination of factors: (i) a tighter rate cap in Latvia; (ii) the reduction in higher yielding Finland receivables during the collect-out; (iii) the impact of increased competition which has resulted in price reductions in Lithuania; and (iv) the growth in Australia which is relatively lower yielding. These adverse variances have been partly offset by the growth in Mexico which has a higher revenue yield.

The impairment rate increased marginally from 9.4% in 2021 to 10.1% in 2022. This reflects two factors. Firstly, the £3.7m release of Covid-19 provisions benefited the impairment rate in 2021 and excluding this release, the impairment rate in 2021 would have been 10.7% showing an underlying improvement of 0.8ppts. The improvement mainly reflects the strong collect-out performance in Finland and Spain which have exceeded expectations.

Although we continued to invest in developing our product offering and marketing to attract new customers and build scale, tight control on costs delivered an 8% (at CER) reduction in costs during 2022 and this was reflected in the cost-income ratio which decreased by 3.8 ppts to 57.2% (2021: 61.0%). We expect the cost-income ratio to further improve as we continue to rebuild the business.

IPF Digital's pre-exceptional RORE in 2022 was 6.9%, little changed from 7.5% in 2021 which benefited from the release of Covid-19 provision of £3.7m. Although IPF Digital currently lacks scale following Covid-19 and the closure of Finland and Spain, we have strong organic growth opportunities in our existing markets, particularly Mexico and Australia, and we will continue to consider inorganic opportunities to deliver scale and increase returns to our target levels. In 2023, we will continue to extend the reach of our mobile wallet in Latvia, Estonia and Lithuania and we will also continue to expand the new hybrid lending opportunities that our digital and home credit businesses are partnering on in Mexico as well as launching a modified mobile wallet offering there.

Taxation
The pre-exceptional taxation charge on the profit for 2022 is £31.1m, which represents an effective tax rate for the year of approximately 40% (2021: 38%). The higher tax rate in 2022 reflects the normalisation of impairment charges in Poland following Covid-19. In Poland, we only get a small deduction for bad debt tax relief.

The full-year results reflect a net exceptional tax credit of £10.5m comprising three items:

1. Following a favourable Supreme Administrative Court decision, the Group's Polish subsidiary successfully obtained a Ministry of Finance ruling confirming the tax deductibility of certain expenses linked to intra-group transactions in respect of years 2018 onwards. These expenses had originally been disallowed following the introduction of new legislation with more restrictive rules during 2017. The returns for years 2018 to 2021 have been re-filed with the tax office along with claims for repayment of £27.4m, of which £26m has been received in 2022. A further benefit is estimated at £3.5m comprising a reduction in the 2022 corporate income tax liability of £1.5m and a reduction in subsequent years' liabilities of £2m. As a result, an exceptional tax credit of £30.9m has been recognised in 2022, with £1.4m reflected as a current tax asset (in respect of claims submitted but not refunded at the year end) and £2m held as a deferred tax asset on the balance sheet.

2. An exceptional tax charge of £15.3m has arisen following the derecognition of the non-current asset previously held in respect of the Group's finance company arrangements. This stems from the decision by the General Court of the European Union in June 2022 confirming the European Commission's earlier decision that the United Kingdom's Group Financing Exemption constitutes partial illegal state aid.

3. An exceptional tax charge of £5.1m has been reflected relating to the Hungarian government's announcement in June 2022 which introduced a series of temporary taxes aimed at raising revenue to support the armed forces in view of the ongoing war in Ukraine and protect households against rising energy costs. The new tax package, which was passed by Government Decree, included a new "extra profit special tax" chargeable on the financial sector including non-bank financial institutions, and which is payable in respect of 2022 and 2023 only. This new tax will increase the taxes payable by the Group's Hungarian subsidiary by £5.1m for 2022, with an estimated further £6m payable in respect of 2023.

Funding and balance sheet
We continue to maintain a very conservatively capitalised balance sheet, a strong funding position and robust financial risk management. At the end of 2022, the equity to receivables ratio was 51% (2021: 51%) and this compares with our target of 40%. The ratio has remained unchanged in 2022 despite: (i) receivables growth being greater than 10% in our financial model; (ii) returns being below the lower target threshold of 15%; and (iii) a dividend payout ratio in excess of 40%. The absorption of capital from these factors has been offset directly by a £42m foreign exchange gain being credited to reserves in the year. We will progressively reduce the equity to receivables ratio over the next two to three years as we invest in growth, deliver our progressive dividend policy and build returns to our target level of 15% to 20%. The gearing ratio was 1.2 times (2021: 1.3 times), comfortably ahead of our covenant limit of 3.75 times.

At the end of 2022, the Group had total debt facilities of £611m, comprising £419m of bonds and £192m of bank facilities. We have borrowings of £554m and, together with undrawn facilities and non-operational cash balances, headroom is £76m. The Group's current funding capacity together with strong business cash generation, is expected to meet the Group's funding requirements into 2024. Our additional funding requirement in 2023 is not expected to be significant due to the anticipated contraction in Polish receivables as we transition the business under the new lower TCC cap.

Despite the difficult macroeconomic backdrop, we have successfully extended £169m of bank facilities in 2022 and extended the maturity profile of the Groups' sources of funding to 2.5 years. In addition, consistent with our normal practice, in December we refinanced part of our £78m sterling retail bond maturing in December 2023, one year in advance of its maturity. The new retail bond has a maturity of December 2027 and carries a coupon of 12%, compared with the previous sterling bond which carried a coupon of 7.75%, with the increased rate reflective of the rise in UK gilt prices and the iTraxx crossover rate. In total, £38m of the original bond was exchanged into the new bond with a further £2m of new retail bonds issued. In addition, a further £10m of bonds were retained by the Group in treasury and, in early January 2023, we have begun to issue these to the market. The £40m of the original retail bonds which were not exchanged will be repaid in line with their maturity in December 2023. We are continuing to actively seek new sources of funding in addition to our strong in-country bank relationships and our access to debt capital markets.

Our blended cost of funding in 2022 was 13.3%, up from 11.3% in 2021. This reflects a significant step-up in interest rates across our markets which has resulted in higher costs of bank funding and hedging.

Our credit ratings remain unchanged. We have a long-term credit rating of BB- (Outlook Stable) from Fitch Ratings and Ba3 (Outlook Stable) from Moody's Investors Services.

International Personal Finance plc

Consolidated income statement for the year ended 31 December

	Notes	**2022 £m**	2021 £m
Revenue	4	**645.5**	548.7
Impairment	4	**(106.7)**	(56.2)
Revenue less impairment		**538.8**	492.5
Interest expense	5	**(68.1)**	(54.0)
Other operating costs		**(121.5)**	(111.4)
Administrative expenses		**(271.8)**	(259.4)
Total costs		**(461.4)**	(424.8)
Profit before taxation	4	**77.4**	67.7
Pre-exceptional tax income/(expense)			
– UK		**0.1**	6.6
– Overseas		**(31.2)**	(32.4)
Pre-exceptional tax expense	6	**(31.1)**	(25.8)
Profit after pre-exceptional taxation		**46.3**	41.9
Exceptional tax income	6, 9	**10.5**	-
Profit after taxation attributable to owners of the Company		**56.8**	41.9

Earnings per share - statutory

	Notes	**2022 pence**	2021 pence
Basic	7	**25.6**	18.8
Diluted	7	**24.3**	17.8

Earnings per share - pre-exceptional items

	Notes	**2022 pence**	2021 pence
Basic	7	**20.8**	18.8
Diluted	7	**19.8**	17.8

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

Consolidated statement of comprehensive income for the year ended 31 December

	2022 £m	2021 £m
Profit after taxation attributable to owners of the Company	**56.8**	41.9
Other comprehensive income/(expense)		
Items that may subsequently be reclassified to income statement:		
Exchange gains/(losses) on foreign currency translations	**41.8**	(37.6)
Net fair value (losses)/gains – cash flow hedges	**(2.3)**	1.4
Tax credit/(charge) on items that may be reclassified	**0.8**	(0.7)
Items that will not subsequently be reclassified to income statement:		
Actuarial (losses)/gains on retirement benefit obligation	**(3.8)**	0.5
Tax credit on items that will not be reclassified	**0.9**	0.1
Other comprehensive income/(expense) net of taxation	**37.4**	(36.3)
Total comprehensive income for the year attributable to owners of the Company	**94.2**	5.6

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

Balance sheet as at 31 December

	Notes	**2022 £m**	2021 £m
Assets			
Non-current assets			
Goodwill	10	**24.2**	22.9
Intangible assets	11	**27.9**	25.2
Property, plant and equipment	12	**17.3**	13.8
Right-of-use assets	13	**19.3**	17.7
Amounts receivable from customers	15	**212.2**	150.2
Deferred tax assets	14	**138.5**	124.7
Non-current tax asset	9	**-**	15.3
Retirement benefit asset	18	**2.1**	4.9
		441.5	374.7
Current assets			
Amounts receivable from customers	15	**656.6**	566.6
Derivative financial instruments	17	**4.5**	0.7
Cash and cash equivalents		**50.7**	41.7
Other receivables		**16.2**	14.0
Current tax assets		**1.6**	1.6
		729.6	624.6
Total assets		**1,171.1**	999.3
Liabilities			
Current liabilities			
Borrowings	16	**(71.8)**	(3.1)
Derivative financial instruments	17	**(4.6)**	(7.6)
Trade and other payables		**(122.2)**	(112.8)
Provisions for liabilities & charges	19	**(4.7)**	(5.4)
Lease liabilities	13	**(7.2)**	(6.4)
Current tax liabilities		**(18.3)**	(8.2)
		(228.8)	(143.5)
Non-current liabilities			
Deferred tax liabilities	14	**(5.9)**	(7.9)
Lease liabilities	13	**(14.2)**	(12.3)
Borrowings	16	**(477.0)**	(468.5)
		(497.1)	(488.7)
Total liabilities		**(725.9)**	(632.2)
Net assets		**445.2**	367.1
Equity attributable to owners of the Company			
Called-up share capital		**23.4**	23.4
Other reserve		**(22.5)**	(22.5)
Foreign exchange reserve		**9.2**	(32.6)
Hedging reserve		**0.1**	1.6
Own shares		**(43.3)**	(46.6)
Capital redemption reserve		**2.3**	2.3
Retained earnings		**476.0**	441.5
Total equity		**445.2**	367.1

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

Statement of changes in equity

	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 year	-	-	-	41.9	41.9
Other comprehensive (expense)/income:					
Exchange losses on foreign currency translation	-	-	(37.6)	-	(37.6)
Net fair value gains – cash flow hedges	-	-	1.4	-	1.4
Actuarial gain on retirement benefit obligation	-	-	-	0.5	0.5
Tax (charge)/credit on other comprehensive income	-	-	(0.7)	0.1	(0.6)
Total other comprehensive (expense)/income	-	-	(36.9)	0.6	(36.3)
Total comprehensive (expense)/income for the year	-	-	(36.9)	42.5	5.6
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	(0.2)	(0.2)
Shares acquired by employee trust	-	-	(3.9)	-	(3.9)
Shares granted from treasury and employee trust	-	-	2.5	(2.5)	-
Dividends paid to Company shareholders	-	-	-	(4.9)	(4.9)
At 31 December 2021	23.4	(22.5)	(75.3)	441.5	367.1
At 1 January 2022	**23.4**	**(22.5)**	**(75.3)**	**441.5**	**367.1**
Comprehensive income:					
Profit after taxation for the year	-	**-**	**-**	**56.8**	**56.8**
Other comprehensive income/(expense):					
Exchange gains on foreign currency translation	**-**	**-**	**41.8**	**-**	**41.8**
Net fair value losses – cash flow hedges	-	**-**	**(2.3)**	**-**	**(2.3)**
Actuarial loss on retirement benefit obligation	-	-	**-**	**(3.8)**	**(3.8)**
Tax credit on other comprehensive expense	-	-	**0.8**	**0.9**	**1.7**
Total other comprehensive income/(expense)	**-**	**-**	**40.3**	**(2.9)**	**37.4**
Total comprehensive income for the year	**-**	**-**	**40.3**	**53.9**	**94.2**
Transactions with owners:					
Share-based payment adjustment to reserves	**-**	**-**	**-**	**3.2**	**3.2**
Shares acquired by employee trust	**-**	**-**	**(0.4)**	**-**	**(0.4)**
Shares granted from treasury and employee trust	**-**	**-**	**3.7**	**(3.7)**	**-**
Dividends paid to Company shareholders	**-**	**-**	**-**	**(18.9)**	**(18.9)**
At 31 December 2022	**23.4**	**(22.5)**	**(31.7)**	**476.0**	**445.2**

* Includes foreign exchange reserve, hedging reserve, capital redemption reserve and amounts paid to acquire shares held in treasury and by employee trust.

Cash flow statement for the year ended 31 December	**2022 £m**	2021 £m
Cash flows from operating activities		
Cash generated from operating activities	**58.8**	74.3
Finance costs paid	**(65.2)**	(52.7)
Income tax received/(paid)	**5.5**	(46.4)
Net cash used in operating activities	**(0.9)**	(24.8)
Cash flows from investing activities		
Purchases of intangible assets	**(14.7)**	(10.3)
Purchases of property, plant and equipment	**(9.1)**	(5.1)
Proceeds from sale of property, plant and equipment	**0.3**	0.2
Net cash used in investing activities	**(23.5)**	(15.2)
Net cash used in operating and investing activities	**(24.4)**	(40.0)
Cash flows from financing activities		
Proceeds from borrowings	**99.3**	49.4
Repayment of borrowings	**(43.6)**	(62.9)
Principal elements of lease payments	**(9.2)**	(9.9)
Shares acquired by employee trust	**(0.4)**	(3.9)
Dividends paid to Company shareholders	**(18.9)**	(4.9)
Net cash generated from/(used in) financing activities	**27.2**	(32.2)
Net increase/(decrease) in cash and cash equivalents	**2.8**	(72.2)
Cash and cash equivalents at beginning of year	**41.7**	116.3
Exchange gains/(losses) on cash and cash equivalents	**6.2**	(2.4)
Cash and cash equivalents at end of year	**50.7**	41.7

1. Basis of preparation

The financial information, which comprises the consolidated income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and related notes, is derived from the full Group Financial Statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. It does not constitute full Financial Statements within the meaning of section 434 of the Companies Act 2006.

Statutory Financial Statements for the year ended 31 December 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered following the Company's annual general meeting. The auditor has reported on those Financial Statements: its reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly they continue to adopt the going concern basis in preparing this financial information (see note 23 for further details).

The accounting policies used in completing this financial information have been consistently applied in all periods shown. These accounting policies are detailed in the Group's Financial Statements for the year ended 31 December 2022 which can be found on the Group's website (www.ipfin.co.uk).

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2022 but do not have any material impact on the Group:

- Amendments to IFRS 3 'Reference to the Conceptual Framework';
- Amendments to IAS 16 'Property, Plant and Equipment – Proceeds before Intended Use';
- Amendments to IAS 37 'Onerous Contracts – Cost of Fulfilling a Contract'; and
- Annual Improvements to IFRS Standards 2018-2021 – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture.

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

- IFRS 17 'Insurance contracts';
- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture';
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current';
- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies';
- Amendments to IAS 8 'Definitions of Accounting Estimates'; and
- Amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'.

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 Consolidated 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 the 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. Based on a 3% variation in the EIR (2021: 3%), it is estimated that the amounts receivable from customers would be higher/lower by £8.7m (2021: £7.7m). This sensitivity is based on historic fluctuations in EIRs.

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 repayments 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.

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. Where the models are expected to show an increase in the expected loss or a slowing of the future cashflows in the following 12 months, an adjustment is applied to the models. At 31 December 2022, this adjustment was a reduction in receivables of £11.6m (2021: reduction of £13.6m).

Post model overlays (PMOs) on amounts receivable from customers

2022	**Covid-19 PMO £m**	**Cost-of-living PMO £m**	**Hungary moratorium PMO £m**	**Total PMOs £m**
Home credit	**-**	**17.5**	**4.3**	**21.8**
IPF Digital	**-**	**3.1**	**-**	**3.1**
Total	**-**	**20.6**	**4.3**	**24.9**

2021	Covid-19 PMO £m	Cost-of-living PMO £m	Hungary moratorium PMO £m	Total PMOs £m
Home credit	7.8	5.3	7.8	20.9
IPF Digital	-	1.5	-	1.5
Total	7.8	6.8	7.8	22.4

High inflation rates associated with the global cost-of-living crisis may reduce customers' disposable income, which may impact their ability to make repayments. A full assessment of the impact of the cost-of-living crisis and associated reduction to the disposable income of customers has been performed and concluded that it is likely to result in increased risks across both the home credit and IPF Digital businesses. PMOs have been established and based on management's current expectations the impact of these PMOs was to increase impairment provisions at 31 December 2022 by a further £20.6m (2021: £6.8m). In order to calculate this PMO, country-specific expert knowledge, informed by economic forecast data to estimate the increase in losses, has been used and resulted in a range of outcomes from £15.4m to £25.8m. This represents management's current assessment of a reasonable range in assumptions.

The Hungarian debt moratorium, which initially began in March 2020, ended in December 2022. There remains a small proportion of the portfolio that has at some point been in the moratorium. Given the age of these loans, PMOs have been applied to the impairment models in order to calculate the continued risks that are not fully reflected in the standard impairment models. Based on management's current expectations, the impact of these PMOs was to increase impairment provisions at 31 December 2022 by £4.3m (2021: £7.8m). In order to calculate the PMO, the portfolio was segmented by analysis of the most recent payment performance and, using this information, assumptions were made around expected credit losses. This represents management's current assessment of a reasonable outcome from the actual repayment performance on the debt moratorium impacted portfolio.

Polish early settlement rebates

As previously reported, a comprehensive review was conducted in 2020 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. The impact of the resolution of this matter resulted 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 and the nature of any customer contact exercise required. The total amount provided of £0.6m (2021: £3.3m) represents the Group's best estimate of the likely future cost of increasing historic customer rebates, based on its current strategy to achieve resolution. 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 these claims since 2020. The charges were reviewed by reference to the claims incidence experience and average cost of resolution in the Spanish business. The provision recorded of £4.7m, split £0.6m against receivables and £4.1m in provisions, (2021: £7.1m, split £5.0m against receivables and £2.1m in provisions) represents 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.

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.

Alternative performance measures

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

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

Each of the APMs, used by the Group are set out on pages 48 to 52 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. Principal risks and uncertainties

In accordance with the Companies Act 2006, a description of the principal risks and uncertainties (and the mitigating factors in place in respect of these) is included below. Effective management of risks, uncertainties and opportunities is critical to our business in order to deliver long-term shareholder value and protect our people, assets and reputation. In 2022, we continued to face a challenging external environment, particularly from changing regulation, and the impact of issues arising from the Covid-19 pandemic. Internally, our operational governance framework and risk management processes are continually reviewed to ensure that where areas of improvement are identified, a plan of action is put in place and can become a key focus for the Board. The effectiveness of operating these processes is monitored by the Audit and Risk Committee on behalf of the Board.

Risk environment	
↑	Risk environment improving
↔	Risk environment remains stable
↓	Risk environment worsening

1. Credit risk ↓

The risk of the Group suffering financial loss if its customers fail to meet their contracted repayment obligations; or the Group fails to optimise profitable business opportunities because of its credit, collection or fraud strategies and processes.

Impact

There has been a challenging macroeconomic environment in 2022, with increasing and high levels of inflation particularly in our European markets. In this context, the Group performed well, with customer repayments in 2022 slightly better than pre-pandemic levels, although there was increasing pressure on customers' affordability towards the end of the year.

Overall, credit losses were lower than pre-pandemic levels, and the impairment rate at the year-end of 8.6% is well within our risk appetite.

It is expected that the cost-of-living crisis will continue to put pressure on customers' ability to afford repayments through 2023 in many markets.

How it is managed

- Detailed, regular monitoring of customer repayments to identify specific issues.
- Detailed analysis and enhancement of our credit scorecards and credit policy to ensure they remain optimal.
- Implemented a targeted tightening of credit rules for higher risk customers from the fourth quarter as a precautionary measure to protect against the risk of customer's affordability worsening.
- Careful, regular assessment of the external environment.
- Ensuring repayments and arrears management activities remain a key part of incentive schemes.

2. Regulatory risk ↓

The risk of failure to operate in compliance with, or effectively anticipate changes to, all applicable laws and regulations (including data protection and privacy laws), or due to a regulator interpreting these in a different way.

Impact

The EU's review of the European Consumer Credit Directive continues and is not expected to conclude before the end of 2024.

New legislation reducing the non-interest cost of credit cap in Poland came into force in December 2022. New affordability rules and supervision of non-bank financial institutions (NBFIs) by the Polish authority, KNF, will be effective from May 2023 and January 2024 respectively.

The repayment moratorium in Hungary, introduced in response to the pandemic in 2020, expired in December 2022.

A more regulated and unified financial system may develop across European markets in future. We also anticipate some regulatory developments around labour laws across our markets.

How it is managed

- Robust horizon-scanning monitoring political, legislative and regulatory developments and risks.
- Regulatory Management Framework in place.
- Engagement with regulators, legislators, politicians and other stakeholders together with active participation in relevant sector associations.
- Contingency plans in place to manage significant regulatory changes.
- Compliance programme focused on key consumer legislation and data privacy.

3. Funding, liquidity, market and counterparty risk ↓

The risk of insufficient availability of funding, unfavourable pricing, or that performance is significantly impacted by interest rate or currency movements, or failure of a banking counterparty.

Impact

The Group maintained a robust funding and liquidity position throughout 2022, extending £169m of bank facilities in the year and refinancing £40m of the retail bond.

During 2022, Fitch and Moody's reaffirmed the Group's credit rating as BB- (Stable Outlook) and Ba3 (Stable Outlook) respectively.

Global markets continue to be impacted significantly by concerns around high inflation, rising interest rates, supply chain disruptions, and the war in Ukraine. This is likely to continue in 2023 and affect the price and availability of debt funding.

How it is managed

- Board-approved policies require the Group to maintain a resilient funding position with good headroom on undrawn bank facilities, appropriate hedging of market risk, and appropriate limits to counterparty risk.
- Investor engagement and supporting actions.
- Diversified funding profile.
- High equity to receivables ratio.

4. Reputation risk ↔

Risk of reputational damage due to our methods of operation, ill-informed comment, malpractice, fines or activities of some of our competition.

Impact

Rising inflation and energy costs put additional pressure on the disposable income of consumers in 2022. This resulted in increased negative sentiment towards the financial sector. However, we proactively maintain dialogue with customers to enable continued access to affordable credit and offer repayment support where appropriate. We also received awards recognising our business as a top employer, our high standards of customer experience and for being a socially responsible business.

We maintain strong relationships with key stakeholders to develop their understanding of our business model, our purpose and role in society, and how we deliver products and services to our customers. This helps protect the business from unforeseen events that could damage our reputation.

How it is managed

- Clearly defined corporate values and ethical standards are communicated throughout the organisation.
- Employees and customer representatives undertake annual ethics e-learning training.
- Regular monitoring of key reputation drivers both internally and externally.
- Strong oversight by the senior leadership team on reputation challenges.

5. Taxation risk ↔

The risk of additional costs due to failure to comply with tax legislation or adoption of an interpretation of the law which cannot be sustained together with the risk of a higher tax burden due to future changes in tax law and practice.

Impact

In June 2022 a ruling of the General Court of the European Union was issued, confirming the European Commission's April 2019 Decision on State Aid. In consequence, the Group has derecognised the asset originally booked in respect of payments made during 2021 under Charging Notices issued by HMRC in accordance with the European Commission's Decision. Windfall taxes have been implemented in a number of countries across Europe during 2022. The Group's Hungarian subsidiary is subject to a temporary two year windfall tax and this has been reflected in the Group's tax charge for 2022 as an exceptional item.

We continued to monitor international tax developments during the year.

One of the Group's Mexican entities and the Group's Polish digital entity are currently subject to tax audit.

How it is managed

- Tax strategy and policy in place.
- Qualified and experienced tax teams at Group level and in market.
- External advice taken on material tax issues in line with tax strategy.
- Binding rulings or clearances obtained from authorities where appropriate.
- Appropriate oversight at executive level over taxation matters.

6. Change management risk ↔

The risk that the Group suffers losses or fails to optimise profitable growth resulting from strategic business projects failing to deliver to requirements, budget or timescale, failing to implement change effectively or failing to realise desired benefits.

Impact

The change agenda can be assessed through three lenses:

- Regulatory-driven change, which is sometimes unpredictable and might have significant business impact if not addressed and prioritised;
- Migration to 'next-gen' platforms which mitigate end-of-life risk; and
- Business-driven change which reflects internal requests that will enable improvements or enhance performance.

While 2022 was a challenging year due to both the economic downturn and changes in the regulatory environment, we have taken significant actions to address the resource capacity required to deliver the change agenda, prioritise the change portfolio and run the delivery framework across the Group.

How it is managed

- Change management framework and monitoring process in place.
- Appropriate methods and resources used in the delivery of change programmes.
- Continuous review of change programmes, with strong governance of all major delivery activity.

7. Product proposition risk ↔

The Group fails to optimise profitable operation due to a failure to understand and respond to market trends, (e.g. customer needs, regulatory, macroeconomic or competition) or failing to deliver products which address these trends in a profitable manner.

Impact

The challenging macroeconomic environment, particularly high inflation in the Group's European markets, may have a negative impact on the delivery of product and promotions benefits. However, there are robust processes in place to monitor and address issues at the earliest opportunity.

In 2022, a relatively stable competitive environment returned as the impact of Covid-19 reduced. There are indications that buy-now-pay-later operators, which grew rapidly in 2021 in many of our markets, are less successful than previously anticipated, particularly in light of increased interest rates and cost of living pressures.

There is some evidence of reducing risk appetite from banks in response to increasing inflation.

We continue to develop our propositions to improve financial inclusion, enhance customer value, improve the customer experience, and extend our digital and mobile propositions to meet consumers' changing needs.

How it is managed

- Product development committees and processes in place to review the product development roadmap, manage product risks and develop new products.
- Regular monitoring of competitors and their offerings, advertising and share of voice in our markets.
- Strategic planning and tactical responses on competition threats.

8. Technology risk ↔
The risk of failure to develop and maintain effective technology solutions.

Impact
Technology risks can arise from speed of technology advancements that could make current technology obsolete or require significant effort to align to strategic requirements.

The focus for 2022 from an IT risk perspective was concentrated around removing some components which were nearing technological obsolescence. Our replacement of telephony systems for our Customer Service Centres with a modern omni-channel solution is progressing well. In addition, good progress was made to move away from a number of physically hosted data centres into a centralised cloud environment.

How it is managed

- Ongoing reviews of services and relationships with partners to ensure effective service operations.
- Annual review to prioritise investment in technology and ensure appropriateness of the technology estate.

9. People risk ↓
The risk that our strategy is impacted by not having sufficient depth and quality of people or being unable to retain key people and treat them in accordance with our values and ethical standards.

Impact
One of our key people risks is ensuring that we have sufficient capability and quantity of customer representatives to serve our customers. We are constantly taking actions to retain, develop and engage customer representatives to minimise impact on the customer experience or the Group's performance. Throughout 2022, we undertook a global programme to re-engineer our customer representative employee value proposition (EVP). This comprised 25+ workstreams, improving experiences from recruitment and recognition to reward. The result will be a fundamental improvement in the working experience of our customer representatives.

The labour market became increasingly active in 2022, especially in certain specialist areas like IT, but we have taken robust actions to retain and develop our most talented employees through tailored leadership and engagement programmes.

How it is managed

- Actions taken focused on customer representatives including better integration for new joiners, diversifying learning options and monitoring vacant agencies.
- Appropriate distribution of strategy-aligned objectives among employees and customer representatives.
- Key people processes including succession planning, performance reviews and development plans.
- Our people, organisation and planning processes ensure that we develop appropriate and significant strength and depth of talent across the Group, and we have the ability to move people between countries, which reduces our exposure to critical roles being under-resourced.

3. Related parties

The Group has not entered into any material transactions with related parties during the year ended 31 December 2022.

4. Segmental analysis

Geographical segments

	2022	2021
	£m	£m
Revenue		
European home credit	**317.5**	284.7
Mexico home credit	**210.9**	146.0
IPF Digital	**117.1**	118.0
Revenue	**645.5**	548.7
Impairment		
European home credit	**5.2**	(1.6)
Mexico home credit	**75.5**	33.8
IPF Digital	**26.0**	24.0
Impairment	**106.7**	56.2
Profit before taxation		
European home credit	**65.6**	54.5
Mexico home credit	**17.7**	18.4
IPF Digital	**8.8**	8.7
Central costs*	**(14.7)**	(13.9)
Profit before taxation	**77.4**	67.7

*Although central costs are not classified as a separate segment in accordance with IFRS 8 'Operating segments', they are shown separately above in order to provide reconciliation to profit before taxation.

	2022	2021
	£m	£m
Segment assets		
European home credit	**590.3**	511.5
Mexico home credit	**255.6**	192.8
IPF Digital	**248.4**	211.6
UK	**76.8**	83.4
Total	**1,171.1**	999.3
Segment liabilities		
European home credit	**(348.8)**	(305.5)
Mexico home credit	**(124.2)**	(86.9)
IPF Digital	**(123.4)**	(91.3)
UK	**(129.5)**	(148.5)
Total	**(725.9)**	(632.2)

4. Segmental analysis (continued)

	2022	2021
	£m	£m
Expenditure on intangible assets (note 11)		
European home credit	**-**	-
Mexico home credit	**-**	-
IPF Digital	**5.0**	3.8
UK	**9.7**	6.5
Total	**14.7**	10.3

	2022	2021
	£m	£m
Amortisation (note 11)		
European home credit	**-**	-
Mexico home credit	**-**	-
IPF Digital	**4.0**	5.6
UK	**8.6**	9.1
Total	**12.6**	14.7

	2022	2021
	£m	£m
Capital expenditure (note 12)		
European home credit	**7.0**	2.2
Mexico home credit	**1.8**	1.1
IPF Digital	**0.3**	0.3
UK	**-**	1.5
Total	**9.1**	5.1

	2022	2021
	£m	£m
Depreciation (note 12)		
European home credit	**4.2**	4.0
Mexico home credit	**1.5**	1.1
IPF Digital	**0.3**	0.5
UK	**0.2**	-
Total	**6.2**	5.6

5. Interest expense

	2022	2021
	£m	£m
Interest payable on borrowings	**66.5**	52.6
Interest payable on lease liabilities	**1.6**	1.4
Interest expense	**68.1**	54.0

6. Tax expense

The pre-exceptional taxation charge on the profit for 2022 is £31.1 million, which represents an effective tax rate for the year of approximately 40% (2021: 38%). The higher tax rate in 2022 reflects the normalisation of impairment charges in Poland following Covid-19. In Poland, we only get a small deduction for bad debt tax relief.

The exceptional tax income of £10.5m is detailed in note 9.

The Group is subject to tax audits in respect of the Mexican home credit business (regarding 2017) and in respect of the Polish digital business (regarding 2019).

7. Earnings per share

	2022	2021
	pence	pence
Basic EPS	**25.6**	18.8
Dilutive effect of awards	**(1.3)**	(1.0)
Diluted EPS	**24.3**	17.8

Basic earnings per share (EPS) is calculated by dividing the profit attributable to shareholders of £56.8m (2021: £41.9m) by the weighted average number of shares in issue during the period of 222.2m which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (2021: 223.2m).

	2022	2021
	pence	pence
Basic pre-exceptional EPS	**20.8**	18.8
Dilutive effect of awards	**(1.0)**	(1.0)
Diluted pre-exceptional EPS	**19.8**	17.8

Basic pre-exceptional EPS is calculated by dividing the pre-exceptional profit attributable to shareholders of £46.3m (2021: £41.9m) by the weighted average number of shares in issue during the period of 222.2m which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (2021: 223.2m).

For diluted EPS the weighted average number of shares has been adjusted to 234.0m (2021: 235.3m) to assume conversion of all dilutive potential ordinary share options relating to employees of the Group.

8. Dividends

Dividend per share

	2022 pence	2021 pence
Interim dividend	**2.7**	2.2
Final proposed dividend	**6.5**	5.8
Total dividend	**9.2**	8.0

Dividends paid

	2022 £m	2021 £m
Interim dividend of 2.7 pence per share (2021: interim dividend of 2.2 pence per share)	**6.0**	4.9
Final 2021 dividend of 5.8 pence per share (2021: final 2020 dividend of nil pence per share)	**12.9**	-
Total dividends paid	**18.9**	4.9

Based on the leadership's successful execution of our growth strategy, the Board is pleased to declare a final dividend of 6.5 pence per share, bringing the full-year dividend to 9.2 pence per share (2021: 8.0 pence). Subject to shareholder approval, the final dividend will be paid on 5 May 2023 to shareholders on the register at the close of business on 11 April 2023. The shares will be marked ex-dividend on 6 April 2023.

9. Exceptional Items

The 2022 income statement includes an exceptional tax gain of £10.5m (2021: £nil) which comprises the following items:

	2022 £m
Benefit of Polish Supreme Administrative Court decision	**30.9**
Decision of the General Court of the EU on State Aid	**(15.3)**
Temporary Hungarian extra profit special tax	**(5.1)**
Exceptional tax items	**10.5**

Further information relating to the exceptional tax items is shown on page 17.

10. Goodwill

	2022	2021
	£m	£m
Net book value at 1 January	**22.9**	24.4
Exchange adjustments	**1.3**	(1.5)
Net book value at 31 December	**24.2**	22.9

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, based on the expected cash flows resulting from the legacy MCB business' outstanding customer receivables and taking into account the collect out of the Finnish business. The key assumptions applied in the value in use calculation relate to the discount rates and the cash flow forecasts used. The rate used to discount the forecast cash flows is 12% (2021: 10%) and would need to increase to 14% for the goodwill balance to be impaired; the cash flow forecasts arise over a 4 year period and would need to be 17% lower than currently estimated for the goodwill balance to be impaired.

11. Intangible assets

	2022	2021
	£m	£m
Net book value at 1 January	**25.2**	30.2
Additions	**14.7**	10.3
Amortisation	**(12.6)**	(14.7)
Exchange adjustments	**0.6**	(0.6)
Net book value at 31 December	**27.9**	25.2

Intangible assets comprise computer software and are a mixture of self-developed and purchased assets. All purchased assets have had further capitalised development on them, meaning it is not possible to disaggregate fully between the relevant intangible categories.

12. Property, plant and equipment

	2022	2021
	£m	£m
Net book value at 1 January	**13.8**	15.4
Exchange adjustments	**0.8**	(0.5)
Additions	**9.1**	5.1
Disposals	**(0.2)**	(0.6)
Depreciation	**(6.2)**	(5.6)
Net book value at 31 December	**17.3**	13.8

As at 31 December 2022 the Group had £4.5m of capital expenditure commitments contracted with third parties that were not provided for (2021: £8.6m).

13. Right-of-use assets and lease liabilities

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

Right-of-use assets

	2022	2021
	£m	£m
Net book value at 1 January	**17.7**	17.5
Exchange adjustments	**1.4**	(0.7)
Additions	**8.8**	8.3
Modifications	**(0.1)**	1.0
Depreciation	**(8.5)**	(8.4)
Net book value at 31 December	**19.3**	17.7

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

	2022	2021
	£m	£m
Properties	**13.6**	11.9
Motor vehicles	**5.7**	5.7
Equipment	**-**	0.1
Total right-of-use assets	**19.3**	17.7

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

Lease liability

	2022	2021
	£m	£m
Lease liability at 1 January	**18.7**	19.2
Exchange adjustments	**1.6**	(0.8)
Additions	**8.7**	8.8
Interest	**1.6**	1.4
Lease payments	**(9.2)**	(9.9)
Lease liability at 31 December	**21.4**	18.7
Analysed as:		
Current	**7.2**	6.4
Non-current:		
- between one and five years	**12.2**	10.6
- greater than five years	**2.0**	1.7
	14.2	12.3
Lease liability at 31 December	**21.4**	18.7

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the rate implicit in the lease, or if that rate cannot be readily determined, at the lessee's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities at 31 December 2022 was 8.9% (2021: 7.2%).

The amounts recognised in profit and loss are as follows:

	2022	2021
	£m	£m
Depreciation on right-of-use assets	**8.5**	8.4
Interest expense on lease liabilities	**1.6**	1.4
Expense relating to leases of short-term leases	**1.2**	1.2
Expense relating to leases of low value assets	**-**	-
Amounts recognised in profit and loss	**11.3**	11.0

The total cash outflow in the year in respect of lease contracts is £9.4m (2021: £10.3m).

14. 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. No deferred tax liability is recognised on remaining temporary differences of approximately £22.0m (2021: £19.0m) as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

15. Amounts receivable from customers

All lending is in the local currency of the country in which the loan is issued:

	2022	2021
	£m	£m
Polish zloty	**278.9**	247.6
Czech crown	**56.1**	48.7
Euro	**90.5**	87.8
Hungarian forint	**125.4**	101.7
Mexican peso	**188.7**	133.3
Romanian leu	**89.1**	69.8
Australian dollar	**40.1**	27.9
Total receivables	**868.8**	716.8

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 of 99% (2021: 93%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 13.0 months (2021: 12.3 months).

Determining an increase in credit risk since initial recognition

IFRS 9 has the following recognition criteria:

- Stage 1: 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 2: Lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition.
- Stage 3: Credit impaired.

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 repayments 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 recovered) when it no longer meets any of the default criteria.

The breakdown of receivables by stage is as follows:

2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total net receivables**
	£m	**£m**	**£m**	**£m**
Home credit	**439.7**	**78.9**	**140.9**	**659.5**
IPF Digital	**193.7**	**9.4**	**6.2**	**209.3**
Group	**633.4**	**88.3**	**147.1**	**868.8**

2021	Stage 1	Stage 2	Stage 3	Total net receivables
	£m	£m	£m	£m
Home credit	360.3	57.9	125.3	543.5
IPF Digital	159.8	8.6	4.9	173.3
Group	520.1	66.5	130.2	716.8

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.

2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total net receivables**
	£m	**£m**	**£m**	**£m**
Gross carrying amount	**782.0**	**161.8**	**422.8**	**1,366.6**
Loss allowance	**(148.6)**	**(73.5)**	**(275.7)**	**(497.8)**
Group	**633.4**	**88.3**	**147.1**	**868.8**

2021	Stage 1	Stage 2	Stage 3	Total net receivables
	£m	£m	£m	£m
Gross carrying amount	649.7	124.1	379.0	1,152.8
Loss allowance	(129.6)	(57.6)	(248.8)	(436.0)
Group	520.1	66.5	130.2	716.8

16. Borrowing facilities and borrowings

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

	2022		2021	
	Borrowings	**Facilities**	Borrowings	Facilities
	£m	**£m**	£m	£m
Repayable:				
– in less than one year	**71.8**	**116.3**	3.1	57.9
– between one and two years	**57.1**	**57.4**	87.4	124.1
– between two and five years	**419.9**	**437.3**	381.1	392.8
	477.0	**494.7**	468.5	516.9
Total borrowings	**548.8**	**611.0**	471.6	574.8

Total undrawn facilities as at 31 December 2022 were £56.8m (2021: £96.8m), excluding £5.4m unamortised arrangement fees and issue discount (2021: £6.4m).

17. Derivative financial instruments

At 31 December 2022 the Group had an asset of £4.5m and a liability of £4.6m (2021: £0.7m asset and £7.6m liability) in respect of foreign currency contracts. Foreign currency contracts are in place to hedge foreign currency cash flows. Where these cash flow hedges are effective, in accordance with IFRS, movements in their fair value are taken directly to reserves.

18. Retirement benefit asset

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

	2022	2021
	£m	£m
Diversified growth funds	**4.6**	7.9
Corporate bonds	**14.5**	20.2
Liability driven investments	**11.7**	23.1
Other	**0.1**	0.1
Total fair value of scheme assets	**30.9**	51.3
Present value of funded defined benefit obligations	**(28.8)**	(46.4)
Net asset recognised in the balance sheet	**2.1**	4.9

The credit recognised in the income statement in respect of defined benefit pension costs is £0.1m (2021: £0.1m).

19. Provisions for liabilities and charges

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 £4.7m (2021: £5.4m) represent the Group's best estimate of the costs that are expected to be incurred in relation to early settlement rebates in Poland (2022: £0.6m; 2021: £3.3m) and claims management charges incurred in Spain (2022: £4.1m; 2021: £2.1m). All claims are expected to be settled within 12 months of the balance sheet date.

20. Fair values of financial assets and liabilities

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

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

With the exception of derivatives, which are held at fair value, amounts receivable from customers, and bonds, the carrying value of all other financial assets and liabilities (which are short-term in nature) is considered to be a reasonable approximation of their fair value. Details of the significant assumptions made in determining the fair value of amounts receivable from customers and bonds are included below, along with the fair value of other Group assets and liabilities.

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:

	2022		2021	
	Fair value £m	**Carrying value £m**	Fair value £m	Carrying value £m
Financial assets				
Amounts receivable from customers	**1,111.2**	**868.8**	938.4	716.8
	1,111.2	**868.8**	938.4	716.8
Financial liabilities				
Bonds	**358.2**	**413.7**	419.9	395.8
Bank borrowings	**135.1**	**135.1**	75.8	75.8
	493.3	**548.8**	495.7	471.6

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 collection costs, at the Group's weighted average cost of capital which we estimate to be 12% (2021: 10%) which is assumed to be a proxy for the discount rate that a market participant would use to price the asset.

Under IFRS 13 'Fair value measurement', receivables are classed as level 3 as their fair value is calculated using future cash flows that are unobservable inputs.

The fair value of the bonds has been calculated by reference to their market value where market prices are available.

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.

Derivative financial instruments are held at fair value which is equal to the expected future cash flows arising as a result of the derivative transaction.

For other financial assets and liabilities, which are all short-term in nature, the carrying value is a reasonable approximation of their fair value.

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

	2022 **£m**	2021 £m
Profit after taxation from operations	**56.8**	41.9
Adjusted for:		
Tax charge	**20.6**	25.8
Finance costs	**68.1**	54.0
Share-based payment charge/(credit)	**2.2**	(0.2)
Depreciation of property, plant and equipment (note 12)	**6.2**	5.6
(Profit)/loss on disposal of property, plant and equipment (note 12)	**(0.1)**	0.4
Depreciation of right-of-use assets (note 13)	**8.5**	8.4
Amortisation of intangible assets (note 11)	**12.6**	14.7
Short term and low value lease costs (note 13)	**1.2**	1.2
Changes in operating assets and liabilities:		
Increase in amounts receivable from customers	**(115.7)**	(88.4)
Decrease/(increase) in other receivables	**13.2**	(3.7)
Decrease/(increase) in trade and other payables	**(3.8)**	26.7
Change in provisions	**(0.9)**	(13.2)
Change in retirement benefit asset	**(1.0)**	(1.0)
(Decrease)/increase in derivative financial instrument liabilities	**(9.1)**	2.1
Cash generated from operating activities	**58.8**	74.3

22. Average and closing 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 2022	**Closing 2022**	Average 2021	Closing 2021
Polish zloty	**5.5**	**5.3**	5.3	5.4
Czech crown	**28.5**	**27.2**	29.7	29.5
Euro	**1.2**	**1.1**	1.2	1.2
Hungarian forint	**452.3**	**450.8**	415.3	438.7
Mexican peso	**24.6**	**23.5**	27.9	27.7
Romanian leu	**5.8**	**5.6**	5.7	5.9
Australian dollar	**1.8**	**1.8**	1.8	1.9

The £41.8m exchange gain (2021: loss of £37.6m) on foreign currency translations shown within the 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 2021 and December 2022 shown in the table above.

23. Going concern

In considering whether the Group is a going concern, the Board has taken into account the Group's 2023 business plan and its principal risks (with particular reference to macroeconomic and regulatory risks). The forecasts have been prepared for the three years to 31 December 2025 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 Group's expected performance, and in particular the evolution of customer lending and repayments 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 macroeconomic and regulatory risks. 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 macroeconomic scenario 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 31 December 2022, the Group had £76m 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 2.5 years. The total debt facilities as at 31 December 2022 amounted to £611m of which £116m (including £32m 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, tested both in 2020 and 2022), 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 in note 2, the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, the Board has adopted the going concern basis in preparing this full-year financial report.

Responsibility statement

This statement is given pursuant to Rule 4 of the Disclosure Guidance and Transparency Rules.

It is given by each of the directors as at the date of this report, namely: Stuart Sinclair, Chair; Gerard Ryan, Chief Executive Officer; Gary Thompson, Chief Financial Officer; Richard Holmes, Senior independent non-executive director; Deborah Davis, non-executive director; Katrina Cliffe, non-executive director and Aileen Wallace, non-executive director.

To the best of each director's knowledge:

a) the financial information, prepared in accordance with the IFRSs, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
b) the management report contained in this report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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			
Customer lending growth at constant exchange rates (%)	None	Not applicable	Customer lending is the principal value of loans advanced to customers and is an important measure of the level of lending in the business. Customer lending growth is the period-on-period change in this metric which is calculated by retranslating the previous year's customer lending 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.
Closing net receivables growth at constant exchange rates (%)	None	Not applicable	Closing net receivables growth is the period-on-period change in closing net receivables which is calculated by retranslating the previous year's closing net receivables at the closing actual exchange rate 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 year's revenue at the average actual exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results.
Revenue yield (%)	None	Not applicable	Revenue yield is reported revenue divided by average gross receivables (before impairment provision) and is an indicator of the return being generated from average gross receivables.
Impairment rate (%)	None	Not applicable	Impairment as a percentage of average gross receivables (before impairment provision) and represents a measure of credit quality that is used across the business.
Cost-income ratio (%)	None	Not applicable	The cost-income ratio is costs, including customer representatives' commission, excluding interest expense, divided by reported revenue. This is useful for comparing performance across markets.

Alternative performance measures (continued)

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
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 and the Group targets a ratio of around 40%.
Headroom (£m)	Undrawn external bank facilities	Not applicable	Calculated as the sum of undrawn external bank facilities and non-operational cash.
Net debt (£m)	None	Not applicable	Borrowings less cash.
Gross receivables (£m)	None	Not applicable	Gross receivables is the same definition as gross carrying amount.
Impairment coverage ratio	None	Not applicable	Expected loss allowance divided by gross receivables (before impairment provision).
Pre-exceptional ROE (%)	None	Not applicable	Return on equity calculated as annual pre-exceptional profit after tax divided by average net assets over the same period.
Pre-exceptional RORE (%)	None	Not applicable	Return on required equity (RORE) is calculated as annual pre-exceptional profit after tax divided by required equity of 40% of average net receivables.
Other measures			
Customers	None	Not applicable	Customers that are being served by our customer representatives 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

2022

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customers (000)	**784**	**696**	**253**	**-**	**1,733**
Closing net receivables	**501.0**	**158.5**	**209.3**	**-**	**868.8**
Customer lending	**637.0**	**257.4**	**232.0**	**-**	**1,126.4**
Revenue	**317.5**	**210.9**	**117.1**	**-**	**645.5**
Impairment	**(5.2)**	**(75.5)**	**(26.0)**	**-**	**(106.7)**
Net revenue	**312.3**	**135.4**	**91.1**	**-**	**538.8**
Interest expense	**(42.8)**	**(9.9)**	**(15.3)**	**(0.1)**	**(68.1)**
Costs	**(203.9)**	**(107.8)**	**(67.0)**	**(14.6)**	**(393.3)**
Profit/(loss) before tax	**65.6**	**17.7**	**8.8**	**(14.7)**	**77.4**

2021 performance, at 2021 average foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customers (000)	810	654	263	-	1,727
Closing net receivables	425.9	117.6	173.3	-	716.8
Customer lending	599.2	194.2	188.7	-	982.1
Revenue	284.7	146.0	118.0	-	548.7
Impairment	1.6	(33.8)	(24.0)	-	(56.2)
Net revenue	286.3	112.2	94.0	-	492.5
Interest expense	(34.0)	(6.6)	(13.3)	(0.1)	(54.0)
Costs	(197.8)	(87.2)	(72.0)	(13.8)	(370.8)
Profit/(loss) before tax	54.5	18.4	8.7	(13.9)	67.7

Foreign exchange movements

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Closing net receivables	12.2	21.2	10.4	-	43.8
Customer lending	(19.7)	26.1	2.2	-	8.6
Revenue	(8.2)	19.6	0.7	-	12.1
Impairment	(0.4)	(5.6)	(0.4)	-	(6.4)
Net revenue	(8.6)	14.0	0.3	-	5.7
Interest expense	1.2	(0.9)	-	-	0.3
Costs	5.0	(10.2)	(0.8)	-	(6.0)
	(2.4)	2.9	(0.5)	-	-

Constant exchange rate reconciliations (continued)

2021 performance, restated at 2022 average foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Closing net receivables	438.1	138.8	183.7	-	760.6
Customer lending	579.5	220.3	190.9	-	990.7
Revenue	276.5	165.6	118.7	-	560.8
Impairment	1.2	(39.4)	(24.4)	-	(62.6)
Net revenue	277.7	126.2	94.3	-	498.2
Interest expense	(32.8)	(7.5)	(13.3)	(0.1)	(53.7)
Costs	(192.8)	(97.4)	(72.8)	(13.8)	(376.8)

Year-on-year movement at constant exchange rates

	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Closing net receivables	14.4%	14.2%	13.9%	-	14.2%
Customer lending	9.9%	16.8%	21.5%	-	13.7%
Revenue	14.8%	27.4%	(1.3%)	-	15.1%
Impairment	(533.3%)	(91.6%)	(6.6%)	-	(70.4%)
Net revenue	12.5%	7.3%	(3.4%)	-	8.1%
Interest expense	(30.5%)	(32.0%)	(15.0%)	-	(26.8%)
Costs	(5.8%)	(10.7%)	8.0%	(5.8%)	(4.4%)

Balance sheet and returns measures

Average gross receivables (before impairment provisions) are used in the revenue yield and impairment rate calculations.

Average gross receivables

	2022 £m	2021 £m
European home credit	**747.5**	708.1
Mexico home credit	**239.0**	179.0
IPF Digital	**258.0**	254.2
Group	**1,244.5**	1,141.3

The impairment coverage ratio is calculated as loss allowance divided by gross carrying amount.

Impairment coverage ratio

	2022 £m	2021 £m
Closing gross carrying amount	**1,366.6**	1,152.8
Loss allowance	**(497.8)**	(436.0)
Closing net receivables	**868.8**	716.8
Impairment coverage ratio	**36.4%**	37.8%

Pre-exceptional return on equity (ROE) is calculated as annual pre-exceptional profit after tax divided by pre-exceptional equity.

Pre-exceptional ROE

	2022 £m	2021 £m	2020 £m
Equity (net assets)	**445.2**	367.1	370.5
Exceptional items	**(10.5)**	-	-
Pre-exceptional equity	**434.7**	367.1	370.5
Average pre-exceptional equity	**400.9**	368.8	
Profit after tax	**56.8**	41.9	
Exceptional items	**(10.5)**	-	
Pre-exceptional profit after tax	**46.3**	41.9	
Pre-exceptional ROE	**11.5%**	11.4%	

Return on required equity (RORE) is calculated as annual pre-exceptional profit after tax divided by required equity of 40% of average net receivables.

Pre-exceptional RORE 2022	European home credit £m	Mexico home credit £m	IPF Digital £m	Group £m
Closing net receivables 2022	**501.0**	**158.5**	**209.3**	**868.8**
Closing net receivables 2021	**425.9**	**117.6**	**173.3**	**716.8**
Average net receivables	**463.4**	**138.1**	**191.3**	**792.8**
Equity (net assets) at 40%	**185.4**	**55.2**	**76.5**	**317.1**
Pre-exceptional profit before tax	**65.6**	**17.7**	**8.8**	**77.4**
Tax at 40%	**(26.2)**	**(7.1)**	**(3.5)**	**(31.1)**
Pre-exceptional profit after tax	**39.4**	**10.6**	**5.3**	**46.3**
Pre-exceptional RORE	**21.3%**	**19.2%**	**6.9%**	**14.6%**

Pre-exceptional RORE 2021	European home credit £m	Mexico home credit £m	IPF Digital £m	Group £m
Closing net receivables 2021	425.9	117.6	173.3	716.8
Closing net receivables 2020	389.5	92.8	186.8	669.1
Average net receivables	407.7	105.2	180.1	693.0
Equity (net assets) at 40%	163.1	42.1	72.0	277.2
Pre-exceptional profit before tax	54.5	18.4	8.7	67.7
Tax at 38%	(20.7)	(7.0)	(3.3)	(25.8)
Pre-exceptional profit after tax	33.8	11.4	5.4	41.9
Pre-exceptional RORE	20.7%	27.1%	7.5%	15.1%

Information for shareholders

1. The Annual Report and Financial Statements 2022 and the notice of the Annual General Meeting will be posted on 22 March 2023 to shareholders who have elected to continue receiving documents from the Company in hard copy form. All other shareholders will be sent a letter explaining how to access the documents on the Company's website from 23 March 2023 or an email with the equivalent information. Paper proxy forms can be requested from the Registrar by calling the shareholder helpline on 0371 664 0300.
2. The Annual General Meeting will be held at 10.30am on 27 April 2023 at the Company's registered office, 26 Whitehall Road, Leeds, LS12 1BE. Provided that there are no restrictions that preclude attendance in person on the day, we welcome the maximum number of shareholders that we are able to accommodate, within safety constraints and in accordance with any governmental guidelines, to attend and vote at the AGM in person.

This report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The report should not be relied on by any other party or for any other purpose. The report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Percentage change figures for all performance measures, other than profit before taxation and earnings per share, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate (CER) for 2022 in order to present the underlying performance variance.

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International Personal Finance will host a webcast of its 2022 full-year results presentation at 09.00hrs (GMT) today – Wednesday 1 March 2023, which can be accessed via 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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