



**Annual Results Announcement
for the year ended 31 December 2012**

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International Personal Finance plc
Annual Results Announcement and statement of dividends
Year ended 31 December 2012

Key highlights

- **Strategy for growth building momentum**
 - Revenue growth increased to 9% (2011: 7%)
 - Expansion into Bulgaria and Lithuania to commence in 2013
 - New products being tested
- **Strong underlying trading performance continued**
 - Good growth delivered in credit issued (13%) and receivables (11%)
 - Consistent credit quality with impairment as a percentage of revenue at 27.0%
 - Cost reduction programme delivering efficiencies - cost-income ratio reduced by 1.2 percentage points to 39.8%
 - Standout operational performances from Poland and Hungary
 - Profit before tax* of £95.1M reflects strong underlying growth of £20.3M before the impact of higher Early Settlement Rebates and weaker FX rates
- **Further improvement in Mexico**
 - Record profit and profit per customer increased to £7
 - Impairment improved to 28.3% of revenue (2011: 30.2%) and within target range
 - New credit rules proving effective and now in 24 of 54 branches
- **Good returns**
 - £25M share buyback completed in November 2012
 - Proposed full year dividend increased by 9% to 7.7 pence per share
- **Robust balance sheet and funding position**
 - Further diversification of funding; maturity profile extended beyond 2015
 - Equity to receivables of 57.8%

Key stats	2012	2011	YOY change at CER
Customers (000s)	2,415	2,323**	4.0%
Credit issued (£M)	882.1	844.5	13.2%
Revenue (£M)	651.7	649.5	8.8%
Impairment % revenue	27.0%	25.8%	(1.2ppts)
Cost-income ratio	39.8%	41.0%	1.2ppts
PBT* (£M)	95.1	100.5	
Statutory PBT (£M)	90.3	100.5	
EPS* (pence)	27.55	28.55	

* Before exceptional item of £4.8M - see note 1 on page 14

** 2011 customer numbers have been restated throughout to show a like-for-like comparison – see note 2 on page 14

Chief Executive Officer, Gerard Ryan, commented:

“2012 proved to be a very good year for our business with underlying growth of 20% in profit before tax. Our new strategy is delivering accelerated growth, enhanced shareholder returns and a clear set of opportunities that should continue to drive the business forward and we are confident of further good progress in 2013.”

Growth strategy update

In July we announced our new strategy to accelerate growth and increase shareholder value. The areas of focus are to expand our geographic footprint in existing and new markets and improve customer engagement by providing more new products and digital channels. We also aim to develop our sales culture so we can use marketing skills to much greater effect and improve our skills base and technology to execute the strategy more efficiently. The strategy is well embedded into the business and is building momentum.

UK restructuring

In July, we redefined the role of the UK head office and management resource required in-market in order to deliver the new strategy. The restructure, which was completed as planned in the second half of the year, incurred an exceptional charge of £4.8M but we expect the annual net reduction in costs arising from these changes to be around £2.0M.

New product development

We commenced our product development programme with the introduction of longer-term loan tests in three markets - a 90-week loan was launched in Poland and a 100-week loan was introduced in both the Czech Republic and Slovakia. These loans are being offered to high quality customers only and the initial results are promising.

Preferential pricing, which rewards our most loyal customers with reduced interest rates, was rolled out in Slovakia after a successful pilot. This has since been launched as a pilot in Poland and Hungary with further tests planned in our other markets later this year.

We have also commenced a pilot in our Hungarian business to sell home insurance through our existing infrastructure in partnership with a third party insurer, QBE Insurance (Europe). The agents involved in the pilot are only offering or selling the insurance with the collection of premiums being managed by QBE so as not to distract them from their core home credit role. The reaction from our customers appears very positive.

New market entry

After a process of detailed evaluation, we plan to expand our footprint with new market entries into Bulgaria and Lithuania in 2013. Both countries provide the opportunity to expand into new markets adjacent to our existing European operations. Bulgaria (7.2M population) will be managed by our team in Romania, and Lithuania (3.2M population) will be led by management in Poland. We anticipate we will invest between £4M and £5M in this expansion in 2013. Our adjacent market strategy should shorten the J-curve by leveraging our existing infrastructure and reduce costs compared with a standalone entry.

Overall, therefore, we have made good progress against our plan since we announced the new strategy at the half year and expect this to continue in 2013.

Market review and regulation

Our strong trading performance in 2012 was delivered against a mixed global macroeconomic backdrop. In Europe, there has been some stabilisation of the macroeconomic environment and a reduction in the systemic risk of European nations defaulting on their debt. However, average GDP growth across our European markets was just 0.7% in 2012 and is expected to remain at a low level this year. The relative strength of sterling against the local currencies of our markets in Europe impacted Group profit negatively by £14.9M in 2012. In contrast, economic growth in Mexico was much stronger with 2012 GDP growth of 3.9% and a similar level is expected in 2013.

Consumer confidence in Europe remained low and largely stable throughout the year and the supply of credit remained lower than pre-crisis levels. Consumer confidence in Mexico is higher and is on an upward trend.

The main regulatory change impacting the business has been the Consumer Credit Directive ('CCD') which was implemented progressively in our European markets between March 2010 and December 2011 and has resulted in an increase in the cost of Early Settlement Rebates ('ESRs'). Poland and the Czech Republic were the last of our markets to implement the CCD and profit in these markets was impacted, as expected, by £10.8M of additional ESR costs in 2012. They will also continue to impact profit in Poland in 2013.

Going forward the key themes for the regulators of European financial services continue to be over-indebtedness, shadow banking and the Financial Transaction Tax. In Poland and Slovakia there are also ongoing discussions surrounding the design of the existing rate caps. We are contributing to all these debates through our in-house teams and trade associations.

Operational performance

Against this backdrop, the Group delivered good results in 2012 with a £95.1M profit before tax and exceptional item. The key drivers of this strong trading performance were a 13% increase in credit issued growth leading to a 9% increase in revenue, credit quality in the middle of our target range and a reduction in our cost-income ratio. These factors contributed to underlying profit growth of £20.3M which offsets most of the impact of the higher ESRs and weaker FX rates noted above. The Group results are set out below:

	2012 £M	2011 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	2,415	2,323	92	4.0	4.0
Credit issued	882.1	844.5	37.6	4.5	13.2
Average net receivables	588.3	575.5	12.8	2.2	11.2
Revenue (net of ESRs)	651.7	649.5	2.2	0.3	8.8
Impairment	(176.2)	(167.7)	(8.5)	(5.1)	(14.3)
	475.5	481.8	(6.3)	(1.3)	6.9
Finance costs	(41.6)	(42.9)	1.3	3.0	(4.8)
Agents' commission	(74.9)	(72.9)	(2.0)	(2.7)	(11.3)
Other costs	(263.9)	(265.5)	1.6	0.6	(4.6)
Profit before taxation and exceptional item	95.1	100.5	(5.4)	(5.4)	
Exceptional item – restructuring	(4.8)	-	(4.8)	-	
Profit before taxation	90.3	100.5	(10.2)	(10.1)	

The value of credit issued grew by 13% (2011: 12%). This was achieved through increasing customer numbers by 4% and growing the amount of credit issued per customer by around 9%, partly supported by the selective easing of credit settings and the introduction of longer-term loans in our Central European markets and Mexico. This growth was reflected in higher average net receivables which increased by 11% to £588.3M.

Revenue grew by 9% in 2012 (2011: 7%) and the rate of growth accelerated during the year from 7.3% in the first quarter to 10.4% in the fourth quarter as follows:

	Q1	Q2	Q3	Q4	Full year
Revenue growth	7.3%	8.2%	9.1%	10.4%	8.8%

This growth was achieved after the £10.8M impact of higher ESRs in 2012. The higher ESR cost in Czech-Slovakia has now been embedded fully in the income statement and we expect a further year-on-year impact in Poland of between £10M and £15M in 2013.

In tandem with delivering good growth, our collections performance remained robust and good credit quality was maintained. As planned, impairment as a percentage of revenue increased slightly, moving from 25.8% to 27.0%, but remains well within our target range of 25% to 30%.

Finance costs increased by 5%, which is less than half the growth in average net receivables. This reflects our ability to generate additional capital. Agents' commission costs, which are based largely on collections in order to promote responsible lending, increased by 11% to £74.9M in line with growth in the business.

Our cost-income ratio at 39.8% was 1.2 percentage points lower than 2011 and we intend to target further cost efficiencies in 2013. This is despite spending an additional £7.3M in growth-targeted investments, largely in promotional and incentive activity for our field management teams, designed to drive growth. In the medium term we are targeting a cost-income ratio of around 35%.

Segmental results

The following table shows the performance of each of our markets, highlighting the impact of the higher ESRs and weaker FX rates to provide a better understanding of underlying performance:

	2012 reported profit £M	Underlying profit movement £M	Additional ESR costs £M	Weaker FX rates £M	2011 reported profit £M
Poland	62.2	10.3	(4.2)	(9.9)	66.0
Czech-Slovakia	28.8	0.3	(6.6)	(2.7)	37.8
Hungary	10.1	3.7	-	(1.9)	8.3
Romania	2.2	(1.7)	-	(0.2)	4.1
Mexico	4.9	3.6	-	(0.2)	1.5
UK costs	(13.1)	4.1	-	-	(17.2)
Profit before taxation*	95.1	20.3	(10.8)	(14.9)	100.5

* Before exceptional item – see note 1 on page 14

The underlying profit improvement during the year was £20.3M, with Poland, Hungary and Mexico being the key drivers. All three markets delivered good growth in credit issued whilst maintaining or improving credit quality, thus reporting strong increases in net revenue. In Czech-Slovakia, top-line growth was slower than we would have liked and underlying profit growth was marginal. Trading conditions in Romania were challenging and net revenue growth was lower than expected, which resulted in a reduction in underlying profit. The cost saving in the UK reflects a reduction in costs arising from the management restructuring exercise and the fact that 2011 included a one-off charge of £3.2M.

As stated previously, the relatively strong performance of sterling during the year resulted in the effective average FX rates in our markets being significantly weaker throughout 2012 than in 2011. The adverse profit impact was £14.9M with the largest impact seen in Poland. In October 2012, we announced that from January 2013 we will no longer hedge the rates at which we translate currency profits into sterling. This policy change reflects the fact that the underlying currency cash flows are the main driver of shareholder value and that currency hedges as previously executed do not protect the business against long-term exchange rate movements. The change in policy is also expected to reduce the overall treasury costs of the business.

Adjustments to interest allocation

Under our current interest allocation methodology there are significant differences in the equity to receivables ratios between markets and this makes performance comparisons between our businesses less meaningful. From 2013, we intend to treat our operating entities on a like-for-like basis, allocating interest to each market using a consistent equity to receivables ratio and the Group's weighted average margin of debt funding. This is in line with the security offered to all providers of debt finance and will facilitate improved comparability of performance across our markets. If this new policy had been in place during 2012 it would have had the following impact on segmental profit:

	2012 reported profit £M	Adjustment £M	2012 adjusted profit £M
Poland	62.2	(7.3)	54.9
Czech-Slovakia	28.8	(1.7)	27.1
Hungary	10.1	2.4	12.5
Romania	2.2	2.3	4.5
Mexico	4.9	4.3	9.2
UK costs	(13.1)	-	(13.1)
Profit before taxation*	95.1	-	95.1

* Before exceptional item – see note 1 on page 14

As a result of the changed interest allocation methodology, we have revised our profit target in Mexico to £33 per customer by 2015.

The quarterly impact of this change in each market for 2011 and 2012 is available on our website at www.ipfin.co.uk/investors.

Taxation

The taxation charge for the year on statutory pre-tax profit was £16.2M (2011: £24.0M) which equates to an effective rate of 17.9%. During the year, the Group refined its method for providing for uncertain tax positions to reflect the latest best estimate of probable future cash outflows and, as a result, reduced the opening provision by £8.4M. The underlying taxation charge on pre-exceptional profit excluding this provision release was £25.7M which represents an effective tax rate of 27.0%. The effective tax rate is expected to remain broadly at this level in 2013.

Dividend

In accordance with the Group's progressive dividend policy and subject to shareholder approval, a final dividend of 4.5 pence per share will be payable which will bring the full year dividend to 7.7 pence per share, an increase of 9% (2011: 7.1 pence per share). The increased dividend reflects the strong underlying trading performance and cash and capital generative nature of the business model. The dividend will be paid on 3 May 2013 to shareholders on the register at the close of business on 22 March 2013. The shares will be marked ex-dividend on 20 March 2013.

Balance sheet and funding

The Group has a strong balance sheet and continues to be well funded.

At 31 December 2012, the Group had net assets of £375.8M (2011: £327.7M) and receivables of £650.3M (2011: £560.4M). The average outstanding life of receivables at the year-end was 5.4 months (2011: 4.9 months), with 96.4% of year-end receivables being due within one year (2011: 99.1%). As a result of our strong trading performance and the reduction of our required tax provisions, the equity to receivables ratio at the year-end was 57.8%. We therefore have £18M of surplus capital, against our current equity to receivables target of 55%, to invest in growth opportunities. This follows the completion in November 2012 of a £25M buyback programme for which 7,792,801 shares were purchased for cancellation at an average price of 318.6 pence per share.

The business continues to be highly cash generative and during the year the Group generated operating cash flows of £172.6M (2011: £144.3M) before funding a £74.4M increase in net receivables (2011: £61.6M). This strong cash flow meant that borrowings increased by only £28.1M to £310.8M. Gearing, calculated as borrowings divided by equity, remains at 0.8 times (2011: 0.8 times).

The business is fully funded through to May 2015 with total committed facilities at 31 December 2012 of £470.3M and headroom on these facilities of £159.5M. During the year, the Group refinanced £130M of bank facilities to 2015 which, together with existing debt facilities, provides sufficient funding through to that time. We also now have local currency bonds in all our European markets following the issuance of two further bonds under our existing Euro Medium Term Note programme ('EMTN') – £12M of 3 and 4-year Czech crown bonds were issued in July 2012 and £11.2M of 5-year Hungarian forint bonds were issued in January 2013. During the year, we also made progress towards our aim of reducing the cost of debt funding through issuing bonds at a lower cost under our EMTN programme. Both the Czech and Hungarian local currency bonds were priced respectively in local currency terms at around 250 to 450 basis points lower than the EMTN bond, and represent an important step in achieving this objective. The refinancing of the £130M bank facilities was also secured with no change in margin.

Secondary listing of IPF shares

Our Polish business, with 821,000 customers, is our largest home credit operation and most profitable market. We plan to obtain a secondary listing of IPF shares on the Warsaw Stock Exchange ('WSE') to enable Polish investors, particularly pension funds, to invest in the business more easily. This will be a technical listing with no new equity to be raised.

Outlook

We have a robust and successful business with a well-funded balance sheet and good profitable growth prospects in all our markets. With our new strategy embedded successfully in the business, we remain confident of delivering accelerated growth in all our existing markets and intend to expand into two new markets and introduce more financial products in 2013.

Operating review

Poland

Our Polish business continued to perform very strongly and the progress made in this important market has been a major highlight of the year. We were particularly pleased to be awarded a Customer Friendly Company award for outstanding customer service as well as being recognised recently as one of Poland's best employers.

From a trading perspective, good growth in credit issued together with lower impairment helped deliver a profit of £62.2M. There was a £10.3M improvement in underlying profit offset by £4.2M of higher ESR costs and £9.9M as a result of weaker FX rates.

	2012 £M	2011 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	821	791	30	3.8	3.8
Credit issued	326.6	318.6	8.0	2.5	11.0
Average net receivables	235.7	236.8	(1.1)	(0.5)	8.3
Revenue	268.8	273.2	(4.4)	(1.6)	6.8
Impairment	(79.5)	(83.2)	3.7	4.4	(4.6)
	189.3	190.0	(0.7)	(0.4)	7.7
Finance costs	(10.1)	(14.8)	4.7	31.8	25.7
Agents' commission	(27.1)	(27.3)	0.2	0.7	(7.1)
Other costs	(89.9)	(81.9)	(8.0)	(9.8)	(11.3)
Profit before taxation	62.2	66.0	(3.8)	(5.8)	

Credit issued grew by 11%. This was driven by a 4% increase in customers together with the introduction of higher value, longer-term loans for quality customers, supported by a targeted easing of credit controls.

Average net receivables increased by 8%. Revenue growth was also good at 7% despite the impact of higher ESR costs following the implementation of the CCD in Poland in December 2011. A further year-on-year impact of £10M to £15M is expected in 2013. Stable credit quality and an improved collections performance resulted in a 0.9 percentage point improvement in impairment as a percentage of revenue to 29.6%.

Finance costs reduced by £4.7M as the business continued to de-gear due to strong cash generation. Agents' commission costs, which are variable in nature, continue to represent around 10% of revenue. Costs were managed tightly and the cost-income ratio was flat at 32.2% (2011 adjusted to remove the impact of a £4.1M VAT refund) despite investing £4.6M in growth related expenditure.

Looking ahead, we expect the Polish business to deliver further growth in customers and credit issued but higher ESRs will impact profit growth in 2013.

Czech Republic and Slovakia

Our business in Czech-Slovakia has been a consistent performer over recent years and is the Group's second largest profit contributor reporting £28.8M in 2012. We were delighted that it was recognised publically as the most ethical non-banking lender in the Czech Republic and one of the country's most responsible businesses. Slovakia is also leading the way on the introduction of discounted products to reward loyal customers, and a new, longer-term product was launched in both markets.

Credit issued is a key driver of growth. This accelerated to 12% in Q4 as the new management team focused on growth and credit controls were eased to capture more sales opportunities to quality customers. Underlying profit growth was relatively modest at £0.3M due to increased impairment, the expected impact of higher ESR costs of £6.6M and weaker FX rates of £2.7M.

	2012	2011	Change	Change	Change
	£M	£M	£M	%	at CER
					%
Customer numbers (000s)	383	385	(2)	(0.5)	(0.5)
Credit issued	206.6	209.5	(2.9)	(1.4)	6.8
Average net receivables	145.3	148.3	(3.0)	(2.0)	6.4
Revenue	133.4	144.8	(11.4)	(7.9)	-
Impairment	(34.2)	(30.2)	(4.0)	(13.2)	(23.5)
	99.2	114.6	(15.4)	(13.4)	(6.1)
Finance costs	(7.1)	(6.2)	(0.9)	(14.5)	(20.3)
Agents' commission	(14.8)	(15.2)	0.4	2.6	(5.7)
Other costs	(48.5)	(55.4)	6.9	12.5	4.3
Profit before taxation	28.8	37.8	(9.0)	(23.8)	

Customer numbers were at a similar level to 2011 and accelerating customer growth is a key objective for 2013. Average net receivables grew by 6% but revenue was flat due to the expected impact of higher ESR costs, which are charged against revenue. Impairment as a percentage of revenue increased due to the impact of credit easing as we seek faster growth. At 25.6% it has now moved into the bottom end of our target range.

Finance costs as a percentage of revenue increased by 1.0 percentage point to 5.3% due to a reduction in the business unit's equity to receivables ratio arising from the payment of intra-Group dividends. Agents' commission costs increased by 6% in line with growth in the business. Other costs were controlled very tightly and resulted in a 4% reduction on 2011 despite 7% growth in credit issued. As a result, the cost-income ratio reduced by 1.0 percentage point to 36.5%.

We believe that there is potential for stronger growth in Czech-Slovakia and we are developing a more growth-focused sales culture and improving engagement in order to achieve this.

Hungary

Our Hungarian business delivered a very strong performance. Profit in 2012 was £10.1M, which reflects underlying profit growth of £3.7M partially offset by a £1.9M adverse impact from weaker FX rates. Key to this result are the excellent employee engagement levels in our Hungarian business and we are very proud that it was awarded the best workplace in Hungary and, subsequently, the sixth best workplace across Central and Eastern Europe. This high level of employee engagement is the foundation of the very strong 2012 performance which delivered good growth in customers and credit issued together with excellent credit quality.

	2012 £M	2011 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	268	244	24	9.8	9.8
Credit issued	114.2	104.3	9.9	9.5	20.7
Average net receivables	76.6	71.6	5.0	7.0	18.8
Revenue	78.2	74.2	4.0	5.4	16.9
Impairment	(11.9)	(9.0)	(2.9)	(32.2)	(46.9)
	66.3	65.2	1.1	1.7	12.8
Finance costs	(8.7)	(8.6)	(0.1)	(1.2)	(11.5)
Agents' commission	(13.4)	(13.3)	(0.1)	(0.8)	(11.7)
Other costs	(34.1)	(35.0)	0.9	2.6	(4.6)
Profit before taxation	10.1	8.3	1.8	21.7	

With 10% growth in customer numbers to 268,000, the business continued to make good progress towards its previous scale of over 300,000 customers. Very strong growth in credit issued of 21% reflects the increase in our customer base together with issuing larger loans to existing quality customers, supported by progressive credit easing. Growth in average net receivables and revenue were also strong at 19% and 17% respectively.

Hungary's customer portfolio continued to demonstrate excellent credit quality and our collections performance remains good. As planned, impairment as a percentage of revenue increased by 3.1 percentage points to 15.2%, reflecting our eased credit controls. It remains well below our target range of 25% to 30%.

Finance costs as a percentage of revenue were broadly in line with 2011. Agents' commission costs increased in line with the growth of the business. Other costs were controlled tightly and, as a result, the cost-income ratio improved significantly by 4.7 percentage points to 42.3%.

Overall, therefore, our business is performing well, consumer confidence is stable and we expect good growth to continue in 2013.

Romania

Our business in Romania had a difficult year, set against a backdrop of continued challenging macroeconomic conditions, political instability and austerity measures that reduced household income and consumer confidence.

Lower than expected growth, together with higher than anticipated impairment and increased costs arising from infrastructure investment to support our growth plans, resulted in a £1.9M reduction in profit to £2.2M. Our performance in Q1 2012 was impacted significantly by higher impairment and all of the reduction in profit is attributable to this period.

	2012	2011	Change	Change	Change at
	£M	£M	£M	%	CER
					%
Customer numbers (000s)	260	241	19	7.9	7.9
Credit issued	85.8	87.7	(1.9)	(2.2)	10.1
Average net receivables	52.0	51.1	0.9	1.8	14.5
Revenue	57.2	54.4	2.8	5.1	17.9
Impairment	(18.3)	(14.2)	(4.1)	(28.9)	(43.0)
	38.9	40.2	(1.3)	(3.2)	9.0
Finance costs	(6.4)	(5.6)	(0.8)	(14.3)	(28.0)
Agents' commission	(5.6)	(5.5)	(0.1)	(1.8)	(14.3)
Other costs	(24.7)	(25.0)	0.3	1.2	(12.8)
Profit before taxation	2.2	4.1	(1.9)	(46.3)	

Credit issued growth was 10% which was in line with customer growth of 8%. Growth was lower than planned due to challenging economic conditions impacting customer demand and the quality of our receivables book, and our decision to focus primarily on collections from Q2 for the remainder of the year following a difficult first quarter. Higher growth rates in 2011 meant that average net receivables increased by 15% and revenue grew at the slightly faster rate of 18%.

Collections performance was worse than 2011, particularly in Q1 2012, and this resulted in higher levels of impairment. As a result, impairment as a percentage of revenue deteriorated by 5.9 percentage points to 32.0%.

The increase in finance costs reflects the cost of additional funding to support growth. Agents' commission increased in line with growth in the business. Other costs increased by 13% due to the investment in infrastructure to support growth, nevertheless the cost-income ratio reduced by 1.7 percentage points to 43.7%.

As we enter 2013, Romania has a newly elected government in place, its currency has strengthened and consumer confidence has improved. As a result, we plan to move our focus progressively back towards growth and expect a much improved performance.

Mexico

The key objectives for the Mexican business in 2012 were to build on the improved operational performance delivered in 2011 and to increase revenue per customer by issuing larger loans to creditworthy customers; this is a key building block in our aim of delivering a profit of £33 per customer by 2015. The business performed well against these objectives in 2012, delivering strong growth in credit issued together with lower impairment through good operational management. This resulted in the Mexican business delivering a record profit of £4.9M, an increase of £3.4M compared to 2011, and this equates to a profit per customer of £7.

	2012 £M	2011 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	683	662	21	3.2	3.2
Credit issued	148.9	124.4	24.5	19.7	25.1
Average net receivables	78.7	67.7	11.0	16.2	21.5
Revenue	114.1	102.9	11.2	10.9	15.7
Impairment	(32.3)	(31.1)	(1.2)	(3.9)	(9.1)
	81.8	71.8	10.0	13.9	18.6
Finance costs	(9.3)	(7.7)	(1.6)	(20.8)	(25.7)
Agents' commission	(14.0)	(11.6)	(2.4)	(20.7)	(26.1)
Other costs	(53.6)	(51.0)	(2.6)	(5.1)	(8.9)
Profit before taxation	4.9	1.5	3.4	226.7	

Customer numbers grew by 3% year-on-year to 683,000. Growth in credit issued at 25% was significantly higher than customer growth as we issued larger, longer-term loan offers to repeat customers who have demonstrated their ability to repay loans. It was also supported by the successful introduction of new, more relaxed credit rules which were rolled out in stages to 18 of Mexico's 54 branches during 2012. In January 2013 these new credit rules were implemented in a further 6 branches.

Average net receivables increased by 22%. Revenue growth was also very strong at 16% although slower than growth in average net receivables as a result of the shift in mix of credit issued towards longer-term loans that have a lower yield.

Improved field operations enabled continued good collections performance and, despite faster credit issued growth, impairment as a percentage of revenue improved by 1.9 percentage points to 28.3%.

Finance costs increased broadly in line with the growth in the size of the business. Agents' commission costs increased at a slightly faster rate than business growth due to additional collection incentives to high performing agents, which contributed to the reduction in impairment. Costs were controlled tightly resulting in a 3.4 percentage point improvement in the cost-income ratio to 46.4%.

We were also delighted to be recognised for the eighth consecutive year as a socially responsible company by the Mexican Centre of Philanthropy and the Alliance for Corporate Responsibility. This certification rewards organisations that are committed to the social development of the communities in which they operate as part of their corporate culture and business strategies.

The profit before taxation in Mexico is analysed by region as follows:

	2012 £M	2011 £M	Change £M	Change %
Puebla	7.8	4.7	3.1	66.0
Guadalajara	9.1	7.5	1.6	21.3
Monterrey	(1.1)	(1.7)	0.6	35.3
Head office	(10.9)	(9.0)	(1.9)	(21.1)
Profit before taxation	4.9	1.5	3.4	226.7

The macroeconomic environment for Mexico is more robust than our European markets and consumer confidence improved throughout 2012. We believe the operational improvements that we have implemented, the controlled extension of our new credit rules in more branches and further geographic expansion with three new branches planned in 2013 will further increase revenue per customer and drive good customer growth. This will enable our Mexican business to make further good progress towards our updated target of £33 profit per customer.

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 2012 in order to present the underlying performance variance.

Notes:

Note 1: Exceptional item

Profit before tax excluding an exceptional restructuring charge of £4.8M (2011: £nil).

Earnings per share adjusted to a 27.0% tax rate and excluding an exceptional restructuring charge of £4.8M (2011: 28.0% and £nil).

Note 2: Customer numbers

2011 customer numbers have been restated to show a like-for-like comparison throughout this statement. This reflects the decision announced in our Q3 IMS to accelerate the transfer of written off customers from the field to our debt recovery department in order to improve the level of debt recoveries.

International Personal Finance plc

Consolidated income statement for the year ended 31 December

	Notes	2012 £M	2011 £M
Revenue	4	651.7	649.5
Impairment	4	(176.2)	(167.7)
Revenue less impairment		475.5	481.8
Finance costs		(41.6)	(42.9)
Other operating costs		(100.3)	(97.1)
Administrative expenses		(238.5)	(241.3)
Total costs		(380.4)	(381.3)
Profit before taxation and exceptional item	4	95.1	100.5
Exceptional item	8	(4.8)	-
Profit before taxation	4	90.3	100.5
Tax income – UK		4.4	0.8
Tax expense – overseas		(20.6)	(24.8)
Total tax expense	5	(16.2)	(24.0)
Profit after taxation attributable to owners of the Company		74.1	76.5

The profit for the period is from continuing operations.

Earnings per share - total

	Notes	2012 pence	2011 pence
Basic	6	29.42	30.17
Diluted	6	28.63	29.57

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

Dividend per share

	Notes	2012 pence	2011 pence
Interim dividend		3.23	3.00
Final proposed dividend		4.51	4.10
Total dividend	7	7.74	7.10

Dividends paid

	Notes	2012 £M	2011 £M
Interim dividend of 3.23 pence per share (2011: interim dividend of 3.00 pence per share)		8.2	7.6
Final 2011 dividend of 4.10 pence per share (2011: final 2010 dividend of 3.74 pence per share)		10.4	9.5
Total dividends paid	7	18.6	17.1

Statement of comprehensive income for the year ended 31 December

	2012 £M	2011 £M
Profit after taxation attributable to owners of the Company	74.1	76.5
Other comprehensive income/(expense)		
Items that may subsequently be reclassified to income statement:		
Exchange gains/(losses) on foreign currency translations	11.7	(40.2)
Net fair value gains – cash flow hedges	2.1	0.4
Tax (charge)/credit on items that may be reclassified	(0.6)	0.5
Items that will not subsequently be reclassified to income statement:		
Actuarial gains/(losses) on retirement benefit obligation	0.6	(6.8)
Tax (charge)/credit on items that will not be reclassified	(0.1)	1.7
Other comprehensive income/(expense) net of taxation	13.7	(44.4)
Total comprehensive income for the year attributable to owners of the Company	87.8	32.1

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

Balance sheet as at 31 December

	Notes	2012 £M	2011 £M
Assets			
Non-current assets			
Intangible assets		3.2	3.6
Property, plant and equipment	9	28.3	30.6
Deferred tax assets		57.1	50.1
		88.6	84.3
Current assets			
Amounts receivable from customers			
- due within one year		627.2	555.3
- due in more than one year		23.1	5.1
	10	650.3	560.4
Derivative financial instruments	12	-	10.0
Cash and cash equivalents		24.2	17.9
Other receivables		15.4	19.1
Current tax assets		2.0	-
		691.9	607.4
Total assets		780.5	691.7
Liabilities			
Current liabilities			
Borrowings	11	(16.4)	(6.4)
Derivative financial instruments	12	(1.4)	(0.3)
Trade and other payables		(68.2)	(57.4)
Current tax liabilities		(21.1)	(25.8)
		(107.1)	(89.9)
Non-current liabilities			
Retirement benefit obligation	13	(3.2)	(4.0)
Borrowings	11	(294.4)	(270.1)
		(297.6)	(274.1)
Total liabilities		(404.7)	(364.0)
Net assets		375.8	327.7
Equity attributable to owners of the Company			
Called-up share capital		24.9	25.7
Other reserve		(22.5)	(22.5)
Foreign exchange reserve		13.7	2.0
Hedging reserve		(0.3)	(1.8)
Shares held by employee trust		(4.5)	(5.7)
Capital redemption reserve		0.8	-
Retained earnings		363.7	330.0
Total equity		375.8	327.7

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 2011	25.7	(22.5)	33.8	272.0	309.0
Comprehensive income:					
Profit after taxation for the year	-	-	-	76.5	76.5
Other comprehensive (expense)/income:					
Exchange losses on foreign currency translation	-	-	(40.2)	-	(40.2)
Net fair value gains – cash flow hedges	-	-	0.4	-	0.4
Actuarial losses on retirement benefit obligation	-	-	-	(6.8)	(6.8)
Tax credit on other comprehensive (expense)/income	-	-	0.5	1.7	2.2
Total other comprehensive expense	-	-	(39.3)	(5.1)	(44.4)
Total comprehensive (expense)/income for the year	-	-	(39.3)	71.4	32.1
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	3.7	3.7
Dividends paid to Company shareholders	-	-	-	(17.1)	(17.1)
At 31 December 2011	25.7	(22.5)	(5.5)	330.0	327.7
At 1 January 2012	25.7	(22.5)	(5.5)	330.0	327.7
Comprehensive income:					
Profit after taxation for the year	-	-	-	74.1	74.1
Other comprehensive income/(expense):					
Exchange gains on foreign currency translation	-	-	11.7	-	11.7
Net fair value gains – cash flow hedges	-	-	2.1	-	2.1
Actuarial gains on retirement benefit obligation	-	-	-	0.6	0.6
Tax charge on other comprehensive income	-	-	(0.6)	(0.1)	(0.7)
Total other comprehensive income	-	-	13.2	0.5	13.7
Total comprehensive income for the year	-	-	13.2	74.6	87.8
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	3.1	3.1
Deferred tax on share-based payment transactions	-	-	-	0.8	0.8
Own shares acquired	(0.8)	-	0.8	(25.0)	(25.0)
Shares granted from employee trust	-	-	1.2	(1.2)	-
Dividends paid to Company shareholders	-	-	-	(18.6)	(18.6)
At 31 December 2012	24.9	(22.5)	9.7	363.7	375.8

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

Cash flow statement for the year ended 31 December

	2012 £M	2011 £M
Cash flows from operating activities		
Cash generated from operating activities	98.2	82.7
Established businesses	89.6	78.1
Developing businesses	8.6	4.6
	<u>98.2</u>	<u>82.7</u>
Finance costs paid	(40.9)	(42.9)
Income tax paid	(28.1)	(27.9)
Net cash generated from operating activities	<u>29.2</u>	<u>11.9</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(9.4)	(13.8)
Proceeds from sale of property, plant and equipment	2.5	2.7
Purchases of intangible assets	(1.5)	(0.5)
Net cash used in investing activities	<u>(8.4)</u>	<u>(11.6)</u>
Net cash from operating and investing activities		
Established businesses	30.9	12.4
Developing businesses	(10.1)	(12.1)
	<u>20.8</u>	<u>0.3</u>
Cash flows from financing activities		
Proceeds from borrowings	54.6	38.2
Repayment of borrowings	(25.9)	(25.0)
Dividends paid to Company shareholders	(18.6)	(17.1)
Acquisition of own shares	(25.0)	-
Net cash used in financing activities	<u>(14.9)</u>	<u>(3.9)</u>
Net increase/(decrease) in cash and cash equivalents	5.9	(3.6)
Cash and cash equivalents at beginning of year	17.9	23.5
Exchange gains/(losses) on cash and cash equivalents	0.4	(2.0)
Cash and cash equivalents at end of year	<u>24.2</u>	<u>17.9</u>

Reconciliation of profit after taxation to cash generated from operating activities

	2012 £M	2011 £M
Profit after taxation	74.1	76.5
Adjusted for:		
Tax charge	16.2	24.0
Finance costs	41.6	42.9
Share-based payment charge	2.0	1.9
Defined benefit pension credit	-	(0.2)
Depreciation of property, plant and equipment (note 9)	9.8	11.1
(Profit)/loss on disposal of property, plant and equipment	(0.2)	3.0
Amortisation of intangible assets	1.9	3.7
Changes in operating assets and liabilities:		
Amounts receivable from customers	(74.4)	(61.6)
Other receivables	4.1	(5.1)
Trade and other payables	10.0	6.6
Retirement benefit obligation	(0.2)	(5.9)
Derivative financial instruments	13.3	(14.2)
Cash generated from operating activities	98.2	82.7

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

Notes to the financial information for the year ended 31 December 2012

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 2012, which have been prepared in accordance with European Union endorsed 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. This financial information has been agreed with the auditor for release.

Statutory Financial Statements for the year ended 31 December 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the Company's annual general meeting. The auditors have reported on those Financial Statements: their 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 15 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 2012 which can be found on the Group's website (www.ipfin.co.uk).

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2012 but do not have any impact on the Group:

- IFRS 1 (amendment) 'Severe hyperinflation and removal of fixed dates for first-time adopters';
- IFRS 7 (amendment) 'Disclosures – transfers of financial assets'; and
- IAS 12 (amendment) 'Deferred tax: recovery of underlying assets'.

Notes to the financial information for the year ended 31 December 2012 (continued)

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

- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment entities';
- Annual improvement to IFRSs: 2009-2011 cycle;
- IFRS 1 (amendment) 'Government loans';
- IFRS 7 (amendment) 'Disclosures – offsetting financial assets and financial liabilities';
- IFRS 9 'Financial instruments'. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2015 and has not yet been endorsed by the European Union. The Group is in the process of assessing IFRS 9's full impact;
- IFRS 10 'Consolidated Financial Statements';
- IFRS 11 'Joint arrangements';
- IFRS 12 'Disclosure of interests in other entities';
- IFRS 13 'Fair value measurement';
- IAS 1 (amendment) 'Presentation of items of other comprehensive income';
- IAS 19 (revised) 'Employee benefits';
- IAS 27 (revised) 'Separate Financial Statements';
- IAS 28 (revised) 'Investments in associates and joint ventures'; and
- IAS 32 (amendment) 'Offsetting financial assets and financial liabilities'.

2. Principal risks and uncertainties

In accordance with the Companies Act 2006, a description of the principal risks (and the mitigating factors in place in respect of these) is included below.

Effective management of risks is critical to our business in order to deliver long-term shareholder value and protect our people, assets and reputation. Like any business, we face risk and uncertainties in all of our activities. Our challenge is to identify risks and develop effective management strategies and processes in order for us to embrace value adding opportunities in an informed and risk-calculated manner.

We identify the risks facing the business by risk category as shown below and ensure the specific risks are managed through the Group's governance and risk management frameworks.

Notes to the financial information for the year ended 31 December 2012 (continued)

2. Principal risks and uncertainties (continued)

Risk category	Definition	Risks	Description
Operational	The risk of unacceptable losses as a result of inadequate, or failures in the Group's, internal core processes, systems or people behaviours.	Credit* Safety* People* Service disruption* Financial and performance reporting Technology Information security* Business operations Fraud	Customers fail to repay Harm to our agents/people Quantity/calibre of people Recoverability of systems, processes and supply chains Failure of financial reporting systems Maintenance of effective technology Security of business and customer data Effective operation of business model Theft or fraud loss
Market conditions	The risk that the Group cannot identify, respond to, comply with or take advantage of external marketplace conditions.	Regulatory* Funding* Interest rate* Currency* Counterparty* Competition* Taxation* World economic environment*	Compliance with laws and regulations Funding availability to meet business needs Market volatility impacting performance and asset values Loss of banking partner Adapting to competitive environment Changes in tax legislation Adapting to economic conditions
Business development	The risk that the Group's earnings are adversely impacted by a suboptimal business strategy or the suboptimal implementation of that strategy, both due to internal or external factors.	New market and acquisition Change management* Product proposition	Growth of our footprint Delivery of strategic initiatives Product and service offering
Stakeholder	The risk that key stakeholders take a negative view of the business either as a direct result of the Group's actions or its inability to effectively manage their perception of the Group.	Reputation* Customer service	Reputational damage Customer service standards maintained

* Risks considered as being of current significance to the Group.

Notes to the financial information for the year ended 31 December 2012 (continued)

2. Principal risks and uncertainties (continued)

Risk assessments are performed quarterly, captured in a consistent reporting format and consolidated into country risk registers and then into the Group schedule of key risks. Country risk registers are reviewed by the Market Audit and Risk Committee (chaired by the Country Manager with the Group Head of Compliance and Risk in attendance) with the overall Group schedule of key risks reviewed by the Risk Advisory Group (chaired by the CEO and attended by other key members of the Group including the Chairman). On a bi-annual basis, the Risk Advisory Group submit the Group schedule of key risks to the Group Audit and Risk Committee for review. As at the year-end, the Risk Advisory Group considered that there were fifteen risks of current significance to the Group which require ongoing focus (noted with asterisks in the table above). Eight of these risks are currently at a level of significance which requires awareness and monitoring at Board level and are, therefore, considered to be the principal risks and uncertainties facing the Group at this time. These principal risks and uncertainties are presented in the table below.

Key:	↑ Risk environment improving	↓ Risk environment worsening	↔ Risk environment stable
Operational risk	Relevance	Mitigation	Commentary
Safety			
<p>The risk of personal accident or assault for all of our agents and people.</p> <p>The risk that our people are put at risk of harm by allowing any potential assailant or thief to identify workers carrying or handling cash.</p> <p>Objective We aim to maintain adequate arrangements that reduce the risks to as low as is reasonably practicable.</p>	<p>A valuable element of our business model involves our agents and employees having interactions with our customers in their homes or travelling to numerous locations daily.</p> <p>Their safety is paramount to us and the Group strives to ensure that our agents and employees can carry out their work without risk of harm.</p>	<p>Group and Market Safety Committees and annual safety survey.</p> <p>Bi-annual risk mapping by agency including mitigation planning and field safety training.</p> <p>Annual management self-certification of safety compliance.</p> <p>Branch safety meetings held quarterly.</p> <p>Agreed risk assessment methodology, training and competence matrix and communication matrix in place.</p> <p>Training and competence matrix to deliver appropriate training and information to employees, agents and other contractors.</p>	<p style="text-align: center;">↔</p> <p>Lead Responsibility: Group Finance Director.</p> <p>During 2012 we have continued to make improvements in our safety management system which is modelled on international best practice. Accreditation against OHSAS 18001 has been achieved in Hungary and is underway in the UK. The other markets will be ready for certification during 2013.</p> <p>Safety continues to be a significant area of focus for the Group.</p>

Notes to the financial information for the year ended 31 December 2012 (continued)

2. Principal risks and uncertainties (continued)

Key: ↑ Risk environment improving ↓ Risk environment worsening ↔ Risk environment stable

Operational risk	Relevance	Mitigation	Commentary
<p>People</p> <p>The risk that the Group's strategy is impacted due to not having sufficient depth and quality of people or an inability to retain key employees.</p> <p>Objectives</p> <p>We will have sufficient depth of personnel to ensure we can meet our growth objectives.</p> <p>We will only grow our business at a rate that is consistent with the skills availability.</p>	<p>Our business model is focussed around international growth, both in terms of complimentary value-added diversification and growth of our existing operations into new markets.</p> <p>In order to achieve this growth we must ensure we continue to attract, retain, develop and reward the right people to drive our business forward.</p>	<p>People and organisational planning ('POP') process being rolled out across the Group.</p> <p>Group-wide personal development review process and continuous development through tools such as 360 degree feedback.</p> <p>Annual employee and agent engagement surveys and improvement plans.</p> <p>Group standard competency framework aligned to organisational strategy.</p>	<p>↑</p> <p>Lead Responsibility: Group HR Director.</p> <p>The UK restructure, to realign our teams to the strategy for growth, continues to strengthen our capabilities across all functions and further improve succession planning and development programmes.</p> <p>We continue to improve stability in our agent network with retention improving by 2 percentage points in 2012. Employee retention remains strong (at 80.3%) although it was slightly impacted as a result of our UK restructure.</p> <p>Our global engagement survey showed that employee and agent engagement across the Group has improved from 2011 with our Hungarian business achieving world class engagement levels and winning the Best Workplace award.</p> <p>We continue to drive forward further improvements and Botond Szirmak (our Hungarian Country Manager) has been appointed Head of Global Engagement.</p>

Notes to the financial information for the year ended 31 December 2012 (continued)

2. Principal risks and uncertainties (continued)

Key: ↑ Risk environment improving ↓ Risk environment worsening ↔ Risk environment stable

Operational risk	Relevance	Mitigation	Commentary
<p>Information security The risk that the Group suffers a financial or reputational loss due to the loss or theft of sensitive information.</p> <p>Objective We aim to maintain adequate arrangements and controls that reduce the risk of data loss to as low as is reasonably practicable.</p>	<p>Globally we have 2.4 million customers and we record, update and maintain data for each of them on a weekly basis.</p> <p>The availability of this data is essential to the effective operation of our business and the security of our customer information is extremely important.</p>	<p>Agreed standard operating procedures for handling, transmitting and storing information.</p> <p>Agreed risk assessment methodology.</p> <p>Formal training and information delivered to employees, agents and other contractors.</p> <p>Internal security audits checking risk assessment coverage and efficacy of mitigation and control plans.</p> <p>Group and market level governance committees that oversee our security arrangements.</p>	<p>↔</p> <p>Lead Responsibility: Group Finance Director.</p> <p>We have recently migrated our European data centre to a platform which has enhanced our data management, storage and security capabilities.</p> <p>Our IT strategy re-enforces this commitment to make continual improvements in our data security environment and includes a number of initiatives to create a more robust data environment.</p> <p>We are currently developing a Group-wide information security management system based on ISO 27001 that will provide the framework for further improvement.</p>

Notes to the financial information for the year ended 31 December 2012 (continued)

2. Principal risks and uncertainties (continued)

Key: ↑ Risk environment improving ↓ Risk environment worsening ↔ Risk environment stable

Market conditions risk	Relevance	Mitigation	Commentary
<p>Regulatory environment The Group suffers losses due to a failure to comply with current laws and regulations under which it operates or due to regulatory change.</p> <p>Objective We aim to ensure that effective arrangements are in place to enable us to comply with legal and regulatory obligations, and take assessed and fully informed commercial risks.</p>	<p>Following the global economic crisis the level of focus and scrutiny on financial services organisations has increased significantly.</p> <p>A number of new measures have been enacted across Europe and a number of further measures continue to be proposed.</p> <p>The Group must keep up to speed with regulatory developments to ensure it can remain competitive and provide value for our customers.</p>	<p>We have highly skilled and experienced legal teams at Group level and in each of our markets.</p> <p>Expert third party advisors are used where necessary.</p> <p>Strong relationships are maintained with regulators and other stakeholders.</p> <p>Co-ordinated legal and public affairs teams, in the UK and each market, monitor political, legislative and regulative developments.</p>	<p>↔</p> <p>Lead Responsibility: Group Legal Director and Company Secretary.</p> <p>Uncertainty remains within our markets, particularly in Poland following the collapse of a non-standard lender during 2012. Regulatory intervention from the European Union also continues.</p>

Notes to the financial information for the year ended 31 December 2012 (continued)

2. Principal risks and uncertainties (continued)

Key: ↑ Risk environment improving ↓ Risk environment worsening ↔ Risk environment stable

Market conditions risk	Relevance	Mitigation	Commentary
<p>Competition The risk that the Group suffers losses or fails to optimise profitable growth through not being aware of or responding to the competitive environment in market.</p> <p>Objective We aim to be vigilant in identifying and understanding competitive threats and responding appropriately.</p>	<p>In our Czech and Polish markets, digital adoption has enabled the entry of a number of low-scale fast-cash or 'payday' online lenders offering lower-value short-term loans.</p>	<p>Regular monitoring of competitors and their offerings within our markets.</p> <p>Regular surveys of customer views on our product offerings and channels to bring customer focused products to market.</p> <p>Diversification of product portfolio in response to changing customer needs.</p> <p>Development of digital teams in each market to deliver our marketing strategy and enhance our digital channels.</p>	<p>↓ Lead Responsibility: Group Marketing Director.</p> <p>Competition from other home credit providers in our markets remains largely stable. There is evidence of a modest, yet growing presence from other non-bank or non-traditional lenders.</p> <p>In this context our home credit model continues to provide customers with a personalised, simple and adaptive source of credit. However we also recognise the importance of engaging with the changing needs of consumers, both within the credit arena and beyond in terms of complementary financial products, and continuing to build sustainable long-term relationships with our customers.</p>

Notes to the financial information for the year ended 31 December 2012 (continued)

2. Principal risks and uncertainties (continued)

Key: ↑ Risk environment improving ↓ Risk environment worsening ↔ Risk environment stable

Market conditions risk	Relevance	Mitigation	Commentary
<p>World economic environment</p> <p>The risk that the Group suffers financial loss as a result of a failure to identify and adapt to changing economic conditions adequately.</p> <p>Objective</p> <p>We aim to have business processes which allow us to respond to changes in economic conditions and optimise business performance.</p>	<p>Changes in economic conditions have a direct impact on our customers' ability to pay.</p>	<p>Treasury and Credit Committees review economic indicators.</p> <p>Daily monitoring of economic, political and national news briefings.</p> <p>Affordability checking, responsible lending practices and arrears management processes as part of our field operations.</p> <p>Strong, long-term customer relationships allow the development of knowledge of individual customer circumstances.</p>	<p>↔</p> <p>Lead Responsibility: Group Finance Director.</p> <p>Global economic uncertainty, particularly in Europe, continued throughout 2012:</p> <ul style="list-style-type: none"> • the Mexican economy maintains a positive outlook; • growth in the Polish economy is forecast to be lower in 2013; • the Czech Republic and Slovak economies remain stable; and • uncertainty continues to surround the Romanian and Hungarian economies despite improving consumer confidence.

Notes to the financial information for the year ended 31 December 2012 (continued)

2. Principal risks and uncertainties (continued)

Key: ↑ Risk environment improving ↓ Risk environment worsening ↔ Risk environment stable

Business development risk	Relevance	Mitigation	Commentary
<p>Change management The Group suffers losses or fails to optimise profitable growth due to managing change in an ineffective manner.</p> <p>Objective We aim to effectively manage the design, delivery and benefits realisation of major global change initiatives and deliver according to requirements, budgets and timescales.</p>	<p>The Group strategy for growth and longer term sustainable value will be achieved through the delivery of key strategic initiatives, led by our market Management Boards, which are scalable to achieve synergistic gains and efficiencies across the whole Group.</p>	<p>Executive Director and Country Manager prioritisation of key initiatives.</p> <p>Standard project management methodology principles defined across the Group.</p> <p>Market Boards' review of change initiatives.</p>	<p>↔</p> <p>Lead Responsibility: Group Finance Director.</p> <p>Key strategic initiatives which have been initiated in the year are:</p> <ul style="list-style-type: none"> • preferential pricing implemented in Slovakia and piloted in Poland and Hungary; • product range broadened; • IT strategy defined and initiated; and • reward and recognition reviewed and realigned to core strategy. <p>Key strategic initiatives which we intend to deliver in 2013 are:</p> <ul style="list-style-type: none"> • expand into two new markets; • redeveloped customer service centres; and • implement online Decision in Principle.

Notes to the financial information for the year ended 31 December 2012 (continued)

2. Principal risks and uncertainties (continued)

Key: ↑ Risk environment improving ↓ Risk environment worsening ↔ Risk environment stable

Stakeholder risk	Relevance	Mitigation	Commentary
Reputation			
The Group suffers financial or reputational damage which compromises its ability to continue operating effectively due to its methods of operation, ill-informed comment or malpractice.	Our customer experience and other key stakeholder engagement may be impacted through an impaired reputation affecting the Group's ability to deliver its strategy for growth as well as the Group's vision to make a difference in everyday life by offering simple and personalised financial solutions.	Our Group Reputational Management and Sustainability Committees meet twice per year, chaired by the CEO, to review reputational and sustainability MI and to set, monitor and maintain our reputational agenda. We have defined and articulated corporate values and ethics standards which are communicated throughout the organisation to employees, agents and other contractors.	↔ Lead Responsibility: Group Corporate Affairs Director. We regularly utilise external reputational agencies to monitor the perception of the business in the wider public domain within each of our markets. This, together with our internal customer surveys, show that those who experience our simple and personalised financial solutions are highly satisfied.
Objective			
We aim to promote a positive reputation that will enable the Group to achieve its strategic aims.			

3. Related parties

The Group's only related party transactions are remuneration of key management personnel. The Group has not entered into any material transactions with related parties during the year ended 31 December 2012.

Notes to the financial information for the year ended 31 December 2012 (continued)

4. Segmental analysis

Geographical segments

	2012 £M	2011 £M
Revenue		
Poland	268.8	273.2
Czech-Slovakia	133.4	144.8
Hungary	78.2	74.2
Mexico	114.1	102.9
Romania	57.2	54.4
	651.7	649.5
Impairment		
Poland	79.5	83.2
Czech-Slovakia	34.2	30.2
Hungary	11.9	9.0
Mexico	32.3	31.1
Romania	18.3	14.2
	176.2	167.7
Profit before taxation		
Poland	62.2	66.0
Czech-Slovakia	28.8	37.8
Hungary	10.1	8.3
UK costs*	(13.1)	(17.2)
Established businesses	88.0	94.9
Mexico	4.9	1.5
Romania	2.2	4.1
Profit before taxation – pre-exceptional item	95.1	100.5
Exceptional item	(4.8)	-
Profit before taxation	90.3	100.5

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

Notes to the financial information for the year ended 31 December 2012 (continued)

4. Segmental analysis (continued)

	2012 £M	2011 £M
Segment assets		
Poland	291.1	247.4
Czech-Slovakia	172.8	172.8
Hungary	104.8	87.2
UK	34.5	32.8
Mexico	116.9	92.7
Romania	60.4	58.8
	780.5	691.7
Segment liabilities		
Poland	75.8	86.5
Czech-Slovakia	73.1	58.3
Hungary	47.7	49.0
UK	106.0	86.1
Mexico	70.3	54.6
Romania	31.8	29.5
	404.7	364.0
Capital expenditure		
Poland	1.1	0.9
Czech-Slovakia	1.3	3.1
Hungary	2.3	0.5
UK	3.5	7.2
Mexico	0.7	1.5
Romania	0.5	0.6
	9.4	13.8
Depreciation		
Poland	1.5	2.5
Czech-Slovakia	2.0	3.7
Hungary	1.2	1.7
UK	3.5	1.7
Mexico	1.0	0.8
Romania	0.6	0.7
	9.8	11.1

The segments shown above are the segments for which management information is presented to the Board which is deemed to be the Group's chief operating decision maker. The Board considers the business from a geographic perspective.

5. Tax expense

The taxation charge for the year on statutory pre-tax profit is £16.2M (2011: £24.0M) which equates to an effective rate of 17.9% (2011: 23.9%). During the year the Group refined its method for providing for uncertain tax positions to reflect the latest best estimate of probable future cash outflows and, as a result, reduced the opening provision by £8.4M. The underlying taxation charge on pre-exceptional profit excluding this provision release was £25.7M which represents an effective tax rate of 27.0%. The effective tax rate is expected to remain broadly at this level in 2013.

Notes to the financial information for the year ended 31 December 2012 (continued)

6. Earnings per share

Basic earnings per share ('EPS') is calculated by dividing the earnings attributable to shareholders of £74.1M (2011: £76.5M) by the weighted average number of shares in issue during the period of 251.9M (2011: 253.6M) which has been adjusted to exclude the weighted average number of shares held by the employee trust.

For diluted EPS, the weighted average number of IPF plc ordinary shares in issue is adjusted to 258.8M to assume conversion of all dilutive potential ordinary share options relating to employees of the Group (2011: adjusted to 258.7M).

	2012 pence	2011 pence
Basic EPS	29.42	30.17
Dilutive effect of awards	(0.79)	(0.60)
Diluted EPS	28.63	29.57

The adjusted earnings per share, of 27.55 pence (2011: 28.55 pence), shown in the financial highlights section of this report, has been presented at a constant 27% tax rate and before exceptional items in 2012 in order to better present the performance of the Group. As explained in note 5, the effective tax rate in 2012 was impacted by a one-off adjustment to the tax charge arising from refining the method for providing for uncertain tax provisions and the underlying rate was 27%.

7. Dividends

The directors are recommending a final dividend in respect of the financial year ended 31 December 2012 of 4.51 pence per share which will amount to a full year dividend payment of £19.3M. If approved by the shareholders at the annual general meeting, this dividend will be paid on 3 May 2013 to shareholders who are on the register of members at 22 March 2013. This dividend is not reflected as a liability in the balance sheet as at 31 December 2012 as it is subject to shareholder approval.

8. Exceptional items

Profit before taxation includes an exceptional charge of £4.8M in respect of the cost of a management restructuring exercise designed to strengthen UK functional support teams and refresh the country management teams (2011: £nil).

9. Property, plant and equipment

	2012 £M	2011 £M
Net book value at 1 January	30.6	35.7
Exchange adjustments	0.4	(2.0)
Additions	9.4	13.8
Disposals	(2.3)	(5.8)
Depreciation	(9.8)	(11.1)
Net book value at 31 December	28.3	30.6

As at 31 December 2012 the Group had £3.3M of capital expenditure commitments contracted with third parties that were not provided for (2011: £2.8M).

Notes to the financial information for the year ended 31 December 2012 (continued)

10. Amounts receivable from customers

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

	2012 £M	2011 £M
Poland	264.0	222.3
Czech-Slovakia	154.6	150.7
Hungary	89.1	68.1
Mexico	87.1	66.2
Romania	55.5	53.1
Total receivables	650.3	560.4

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows receivable discounted at the average effective interest rate (EIR) of 131% (2011: 132%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 5.4 months (2011: 4.9 months).

The Group has one class of loan receivable and no collateral is held in respect of any customer receivables. The Group does not use an impairment provision account for recording impairment losses and, therefore, no analysis of gross customer receivables less provision for impairment is presented.

Revenue recognised on amounts receivable from customers which have been impaired was £370.1M (2011: £378.0M).

11. Borrowings

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

	2012		2011	
	Borrowings £M	Facilities £M	Borrowings £M	Facilities £M
Repayable:				
– in less than one year	16.4	76.2	6.4	17.2
– between one and two years	14.3	26.8	40.6	178.9
– between two and five years	280.1	367.3	229.5	251.8
	294.4	394.1	270.1	430.7
Total borrowings	310.8	470.3	276.5	447.9

Notes to the financial information for the year ended 31 December 2012 (continued)

12. Derivative financial instruments

At 31 December 2012 the Group had an asset of £nil and a liability of £1.4M (2011: £10.0M asset and £0.3M liability) in respect of foreign currency contracts and interest rate swaps. Foreign currency contracts are in place to hedge the volatility on the retranslation of foreign currency monetary assets and foreign currency cash flows. Interest rate swaps are used to cover a proportion of current borrowings relating to the floating rate Polish bond and a proportion of floating rate bank borrowings. These cash flow hedges are effective and in accordance with IFRS, movements in their fair value are taken directly to reserves.

13. Retirement benefit obligation

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

	2012 £M	2011 £M
Equities	16.2	17.3
Bonds	6.9	7.4
Index-linked gilts	4.5	4.9
Other	2.4	2.5
Total fair value of scheme assets	30.0	32.1
Present value of funded defined benefit obligation	(33.2)	(36.1)
Net obligation recognised in the balance sheet	(3.2)	(4.0)

The charge recognised in the income statement in respect of defined benefit pension costs is £nil (2011: credit of £0.2M).

14. Average and closing foreign exchange rates

The table below shows the average exchange rates, including the impact of hedging, for the relevant reporting periods and closing exchange rates at the relevant period ends. From 2013 the Group will no longer hedge the rates at which currency profits are translated into sterling. This change reflects the fact that underlying currency cash flows are the main driver of shareholder value and the fact that currency hedges as previously executed do not protect the business against long-term exchange rate movements.

	Average 2012	Closing 2012	Average 2011	Closing 2011
Poland	5.4	5.0	4.7	5.3
Czech Republic	30.9	30.8	28.9	30.7
Slovakia	1.2	1.2	1.2	1.2
Hungary	378.3	357.5	316.7	377.9
Mexico	21.5	20.9	19.7	21.7
Romania	5.2	5.5	5.0	5.2

Notes to the financial information for the year ended 31 December 2012 (continued)

15. Going concern

The Board has reviewed the budget for the year to 31 December 2013 and the forecasts for the four years to 31 December 2017 which include projected profits, cash flows, borrowings and headroom against facilities. The Group's committed funding through a combination of bonds and committed bank facilities is sufficient to fund the planned growth of our existing operations and new markets until May 2015. Taking these factors into account 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 financial information.

16. Responsibility statement

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

It is given by each of the directors: namely, Christopher Rodrigues, Chairman; Gerard Ryan, Chief Executive Officer; David Broadbent, Finance Director; Tony Hales, non-executive director; Edyta Kurek, non-executive director; John Lorimer, non-executive director; Richard Moat, non-executive director and Nicholas Page, 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.

Information for shareholders

1. The shares will be marked ex-dividend on 20 March 2013.
2. The final dividend, which is subject to shareholder approval, will be paid on 3 May 2013 to shareholders on the register at the close of business on 22 March 2013. Dividend warrants/vouchers will be posted on 2 May 2013.
3. A dividend reinvestment scheme is operated by Capita Registrars. For further information contact them at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (telephone 0871 664 0300. Calls cost 10 pence per minute plus network extras, or +44 (0)20 8639 3367 (from outside the UK charged at the local standard rate). Lines are open 8.30am to 5.30pm Monday to Friday excluding bank holidays).
4. The Annual Report and Financial Statements 2012, the notice of the annual general meeting and a proxy card will be posted on 21 March 2013 to shareholders who have elected to continue receiving documents from the Company in hard copy form. All other shareholders will be sent a proxy card and a letter explaining how to access the documents on the Company's website from 22 March 2013 or an email with the equivalent information.
5. The annual general meeting will be held at 10.30am on 25 April 2013 at the Company's registered office, Number Three, Leeds City Office Park, Meadow Lane, Leeds, LS11 5BD.

Investor relations and media contacts:

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International Personal Finance will host a conference call for analysts and investors at 15.00hrs (UK) today. Dial-in details for this call can be obtained from Matthew Newton at RLM Finsbury on +44 (0) 20 7251 3801 or at matthew.newton@RLMFinsbury.com.

A copy of this statement can be found on the Company's website – www.ipfin.co.uk.