



Half-year Financial Report for the six months ended 30 June 2014

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International Personal Finance plc

Half-year Financial Report for the six months ended 30 June 2014

Strong growth and returns for shareholders

Key highlights

- **Delivering profitable growth**
 - Profit before tax and exceptional items increased 11% to £47.1M – a record half-year profit
 - Strong underlying growth in profit before tax and exceptional items of 32% (£13.5M) offset by new market investment of £4.8M and £3.9M from weaker FX rates
 - Effective credit quality management – impairment to revenue ratio in target range at 28.2%
 - Further improvement in cost-efficiency – cost-income ratio improved to 38.4%
- **Top-line growth increased**
 - 7% increase in customer numbers
 - Credit issued growth of 13%
 - Strong increase in revenue of 17%
- **Continuing geographic expansion in current markets delivering growth**
 - Approaching national coverage in Lithuania and Bulgaria
 - Mexico City progressing well
- **New market entry into Spain: trading planned early 2015**
- **Successful refinancing supports further returns to shareholders**
 - Core Eurobond funding refinanced at half the rate of original 2010 issue
 - £50M share buyback progressing to reduce equity to receivables ratio to around 45%
 - Interim dividend increased by 10.5% to 4.2 pence per share

Key statistics	H1 2014	H1 2013	YOY change at CER
Customers (000s)	2,607	2,440	6.8%
Credit issued (£M)	513.0	486.5	12.7%
Revenue (£M)	394.1	360.3	16.7%
Annualised impairment % revenue	28.2%	26.8%	(1.4ppts)
Annualised cost-income ratio	38.4%	39.5%	1.1ppts
PBT* (£M)	47.1	42.3	
Statutory PBT** (£M)	24.5	54.7	
EPS* (pence)	14.48	12.55	

* Before exceptional items. ** See page 9 for details on exceptional items

Chief Executive Officer, Gerard Ryan, commented:

“We are making good progress on our journey to grow the business and our strategy continued to deliver strong levels of growth and profit in the first half of the year. I am also very pleased to announce our entry into Spain – a market which offers an exciting opportunity to add significant scale to our business in Europe. There are heightened regulatory challenges and increased competition in many of our markets but we are confident of achieving further growth and improved returns to our shareholders.”

Strong growth and returns for shareholders

We delivered strong growth in the first half of the year evidenced by a 7% increase in customer numbers, credit issued growth of 13% and a strong increase in revenue of 17%. This, in turn, generated underlying growth in profit before tax of 32% (£13.5M) offset by £4.8M of new market investment costs and £3.9M from weaker FX rates.

There are substantial opportunities to expand our business in the medium and long-term and deliver further returns to shareholders. We continue to focus our strategy on profitable growth and aim to deliver this through:

- Increasing the number of customers we serve in our existing markets;
- Expanding our offer to customers through new products;
- Continuing our strategy of new country entry; and
- Broadening channels through which we deliver our products and services to customers.

Increasing the number of customers we serve in our existing markets

We continue to see significant customer growth prospects across our markets through expanding our agency network, targeted easing of credit settings, implementing credit bureaux, and offering products that our customers value.

Use of credit bureaux is now fully implemented in Hungary, Mexico and Lithuania where it has improved the quality of new customer acquisition and our confidence to lend more to quality customers. Credit bureaux implementation will go live in Bulgaria in the second half of the year and tests are continuing in Poland and Romania, both of which are also expected to be rolled out in the second half of the year. Plans to trial credit bureaux in the Czech Republic and Slovakia are being prepared.

Increased geographic coverage in Romania and Mexico in 2013 supported high levels of growth in the first half of 2014, and future development in Mexico will help us reach our target of three million customers at maturity in this market. Our recent move into Mexico City in December 2013 is progressing well and we are now serving approximately 2,500 customers there. We plan to open two more branches in Mexico City in the third quarter of the year. Geographic expansion and customer acquisition in Lithuania and Bulgaria are progressing well with 350 agents serving around 9,000 customers. With our infrastructure in each market moving towards national coverage we intend to commence nationwide marketing to accelerate customer growth. As we have previously guided, investment in Lithuania and Bulgaria in 2014 is expected to be approximately £8M to £10M.

We continued to implement our ProXXI programme which aims to develop a growth focused, entrepreneurial and technology-enabled workforce. The first-phase initiatives introducing tablet technology to Development Managers, segmenting and rewarding our teams for sustainable, profitable growth and removing non-value adding tasks were rolled out in Hungary and Poland during the first half of the year. Equipping our Development Managers with tablet technology has reduced paperwork, improved access to data and so created more time for them to devote to developing agents and growing their businesses. ProXXI is currently being rolled out in Romania and piloted in the Czech Republic and Mexico.

Expanding our offer to customers through new products

Continued innovation of our product offering is helping to drive growth in credit issued and improve customer retention.

Issuing larger, longer-term loans to quality customers is working well. Extending the term of the loan allows customers to borrow larger sums of money but enables them to maintain the same affordable, weekly instalment as their current smaller-sum loan. Following the success of longer-term loans in Poland, the Czech Republic and Slovakia, we launched a 100-week loan in Hungary during the first quarter of 2014 and rolled out loan terms of up to 78 weeks in Romania. Customers have responded positively to these new offers which are generating strong demand and supporting growth in revenue whilst maintaining credit quality within our target range.

Our pilot in Romania to reward good quality, loyal customers with preferential pricing will be rolled out in the second half of 2014. It is already offered in Poland, the Czech Republic, Slovakia and Hungary and customers have responded positively.

In Mexico we are testing the delivery of loans on a pre-paid card. This delivery mechanism is working effectively and has been well-received by customers, around 500 of whom have taken their loan in this way. We will undertake our first European tests to deliver loans on a pre-paid card in Slovakia during the second half of the year.

Following a full evaluation of our initial test, the second stage pilot of our home insurance offer to existing customers in Hungary began in April. The revised offering is proving much more successful and we have since issued home insurance cover to around 2,000 customers of whom around half have also taken family personal accident policies. Our expectation is that we will move from pilot to roll out in 2015. In Mexico, we have also seen good demand for the pilot of Provident Plus, our life and medical assistance insurance cover offered for the duration of a customer's loan, and we will begin to roll-out this product in the second half of the year. The insurance risk associated with these products is assumed by our partners and thus is not taken on our balance sheet.

Continuing our programme of new country entry

A key part of our strategy is to enter a new market every 12 to 18 months and, having completed extensive research, we are pleased to announce that our next new market will be Spain. It is a substantial market with a population of over 45 million and our research indicates an exciting growth opportunity with significant potential demand from customers looking to borrow small sums. We have appointed our core management team and will establish operational systems and processes in the second half of 2014 with a view to offering our first loans to customers early in 2015. Due to the nature of the market and the potential scale of opportunity, Spain's development will require both a higher level of investment and a longer period to break-even compared to our recent new markets of Lithuania and Bulgaria. However, we believe it will generate substantially greater returns and will become a significant engine of growth in the future. We expect investment in Spain to be around £3M in 2014 and a further £8M in 2015 with targeted break-even in 2018.

Broadening channels to deliver our products and services to customers

Modernising our systems as part of our global transformation programme will help deliver a more technology-enabled approach to serving our customers. We are progressing an online decision in principle service to give consumers an instant decision on whether they can take a loan with us and how much they can borrow ahead of an agent visit. Our plan is to implement this service in Poland and Romania this year with roll-out in 2015.

Looking ahead, we are also exploring alternative channels to deliver our products and services to customers beyond the core agent network. We will not become a payday lender but we believe there are opportunities to develop digital, small-sum lending directly to customers. In addition, we will examine broker channels as an opportunity to support new customer acquisition for our business.

Market overview

The outlook for the markets in which we operate remains encouraging as the economic recovery becomes established. GDP growth forecasts for 2014 are positive in all our markets (from 1.5% to 3.4%) and consumer confidence has improved or remained largely unchanged.

The competitive environment in most of our European markets remains dynamic and continues to develop, although a number of providers of consumer finance have indicated their intention to withdraw from some of our markets following recent regulatory changes. The payday lending sector, whilst not direct competition for the vast majority of our customer segment, continues to grow and we see active competition and high profile TV presence of these operators in Poland, the Czech Republic, Slovakia and Lithuania. The Czech Republic is our most competitive market and in addition to payday lenders, direct home credit companies and banks remain active. We have also seen increasing media activity of banking competitors in Hungary. The competitive environment in Mexico's micro-finance sector is largely unchanged.

Regulation

Regulatory developments relating to lending restrictions and a range of other issues have continued in a number of our European markets and resulted in a number of changes to the regulatory environment in which we operate. We have a good track record over many years of evolving our products and services to meet new regulatory requirements and our experienced teams in each market maintain constructive relationships and dialogue with regulators and other external stakeholders. We will continue to maintain a flexible and responsive approach to regulatory driven changes in our markets and do not anticipate any of these developments will have a material impact on the business as a whole.

In Slovakia, a cap on 'remuneration charges' became effective on 1 June 2014. This cap will be updated on a quarterly basis and is currently 27.5% of issue value. Optional services that are not connected to the loan, such as our home collection service, are excluded from the cap. In addition, a ban on the delivery of loans in cash and arrears visits to customers' homes has been introduced. In response, we have made the necessary adjustment to our product structure to comply with these changes and we are offering customers the option of receiving the loan directly into their bank account or via a postal order. We will also test the delivery of loans on a pre-paid card in the second half of the year. We are currently assessing both the impact on our business and the responses of other competitors to these changes. At this stage, we do not expect that the impact will be material.

In Bulgaria, an APR cap of 50% became effective on 23 July 2014. We have amended our product pricing and structure to meet these new requirements and do not expect the impact to be material.

The Ministry of Finance in Poland published amended draft proposals relating to caps on mandatory non-interest charges for credit and default charges. The current draft proposes:

- a total cost of credit base cap of 25% of the loan value, independent of term
- an annualised cap of 30%, based on the duration of the loan term
- an overall maximum cap of 100% is applied irrespective of term

These changes are in addition to the existing interest rate cap already in place in Poland which we understand will remain at 4x the Lombard rate, and currently equates to approximately 16%. Whilst we expect the proposal to be approved by parliament in due course we do not anticipate the legislation becoming effective before next year. We do not anticipate that the proposed changes will have a material impact on our business in Poland.

We continue to await a date for the court appeal process to begin when we will challenge the decision made in December 2013 by UOKiK, the Polish Office of Consumer Protection and Competition, that the way we calculate APR amounts to a collective infringement of consumer interests. As previously noted, UOKiK is also reviewing the practices of a number of non-bank consumer credit providers in respect of the calculation of fees for loan products and our discussions with UOKiK to explore alternative charging methodologies are ongoing. We continue to believe that these matters will be resolved in ways that are positive for our customers, our business and are acceptable to UOKiK.

In Hungary there are discussions relating to a cap that would limit the proportion of an individual's income that may be spent servicing consumer credit. Whilst these discussions are at an early stage we are engaging with external stakeholders to understand the current proposals and, based on our knowledge to date, we would expect any impact on the business to be limited as we already operate within strict affordability controls.

Performance and financial review

Our strategy delivered further growth and a strong trading performance which resulted in an underlying growth in profit before tax of 32% (£13.5M) before absorbing £4.8M of new market investment costs and £3.9M from weaker FX rates. This combined to give an 11% increase in profit before taxation and exceptional items of £47.1M - a record half year profit.

Geographic expansion, product development and targeted easing of credit settings have contributed to growth in credit issued and revenue in each of our markets. In delivering this strong growth, annualised impairment as a percentage of revenue remains comfortably within our 25% to 30% target range at 28.2%.

The Group results are shown in the table below:

	2014	2013	Change	Change	Change
	£M	£M	£M	%	at CER %
Customer numbers (000s)	2,607	2,440	167	6.8	6.8
Credit issued	513.0	486.5	26.5	5.4	12.7
Average net receivables	761.9	677.6	84.3	12.4	19.8
Revenue	394.1	360.3	33.8	9.4	16.7
Impairment	(130.2)	(108.4)	(21.8)	(20.1)	(28.0)
Net revenue	263.9	251.9	12.0	4.8	11.9
Finance costs	(23.4)	(23.7)	0.3	1.3	(4.5)
Agents' commission	(44.6)	(41.9)	(2.7)	(6.4)	(14.4)
Other costs	(148.8)	(144.0)	(4.8)	(3.3)	(9.3)
Profit before taxation and exceptional items	47.1	42.3	4.8	11.3	
Exceptional items	(22.6)	12.4	(35.0)		
Statutory profit before taxation	24.5	54.7	(30.2)		

One of the key aims of our growth plan in 2014 is to increase customer numbers through expanding our agency network and incentivising management and agents for sustainable growth. We increased agent numbers by 5% to 30,300 and this strategy also successfully generated 7% growth in customer numbers to 2.6M in the first half of the year.

We also continued to grant higher value, longer-term loans to high quality customers in Poland, the Czech Republic, Slovakia, Hungary and Romania which, together with higher customer numbers, helped support a 13% increase in credit issued and strong revenue growth of 17%. As expected, our strategy of improving customer engagement through longer-term lending and preferential pricing has resulted in a three percentage point reduction in revenue yield.

We are continually testing segments of lending to identify the optimum balance between profitable growth and impairment. We have strengthened our existing credit management systems with credit bureaux in Hungary, Mexico and Lithuania the success of which is demonstrated, in part, by the strong growth in credit issued and the fact that Group annualised impairment as a percentage of revenue is comfortably within our target range at 28.2%

Finance costs reduced by 1% in absolute terms but increased by 4% at constant exchange rates. This is 40 percentage points less than the 44% increase in average borrowings and reflects an overall lower cost of funding. The reduction in average interest cost was driven by a combination of the lower coupon on recently issued bonds together with a reduction in local interest rates in our markets. Agents' commission costs, which are based largely on collections in order to promote responsible lending, increased by 14% to £44.6M in line with growth of the business.

At the same time as seeking growth, we continued to manage costs tightly resulting in a 1.1 percentage point improvement in our cost-income ratio to 38.4%.

Segmental results

The following table shows the performance of each of our markets, highlighting the impact of investment in new markets and weaker FX rates against sterling to provide a better understanding of underlying performance:

	2014 Reported profit £M	Underlying profit growth £M	New market costs £M	Weaker FX rates £M	2013 Reported profit £M
Poland and Lithuania	28.5	8.5	(2.1)	(1.0)	23.1
Czech Republic and Slovakia	11.2	(1.1)	-	(1.3)	13.6
Hungary	8.5	2.6	-	(0.6)	6.5
Romania and Bulgaria	(1.0)	1.3	(2.7)	(0.1)	0.5
Mexico	6.6	2.5	-	(0.9)	5.0
UK costs	(6.7)	(0.3)	-	-	(6.4)
Profit before taxation and exceptional items	47.1	13.5	(4.8)	(3.9)	42.3

Exceptional item

The income statement includes an exceptional loss of £22.6M incurred on the buyback of €190.2M (£152.5M) of existing 11.5% Eurobonds due 2015. The exceptional item arose because the existing Eurobonds were bought back at a premium to par value. Further information is set out in the funding, cash flow and balance sheet section of this report.

Taxation

The underlying taxation charge on pre-exceptional profit for the first six months of 2014 has been based on an expected effective pre-exceptional tax rate for the full year of 27%. In addition, a tax credit of £4M is expected to arise on the exceptional item set out above.

Dividend

The Board is pleased to declare an increase in the interim dividend of 10.5% to 4.2 pence per share (2013: 3.8 pence), reflecting our strong trading performance and the cash generative nature of the business model. The dividend is payable on 3 October 2014 to shareholders on the register at close of business on 5 September 2014. The shares will be marked ex-dividend on 3 September 2014.

Funding and balance sheet

We have a key objective of making the balance sheet work harder and we took an important step in achieving this when we refinanced our core Eurobond at materially lower cost in Q2 of 2014. This formed part of our strategy of attaining longer-term funding from diversified sources at lower cost.

At the beginning of April, we completed the issue of a new €300M (£240M) 7-year Eurobond with a coupon of 5.75%, which is half the rate of the 5-year, 11.5% Eurobond issued in 2010. Combined with the £100M of 7-year, 6.125% retail bonds issued in 2013, we now have £340M of long-term debt capital maturing in 2020/2021, to fund the further development of our business. In May, we also issued a new €40M (£32M) 4-year Eurobond with a coupon of 4.25%.

In April, as part of this refinancing process, we bought back €168.3M (£135M) of our existing 11.5% Eurobonds due to mature in 2015, at a price of 113.5; and in May we bought back €21.9M (£17.5M) of the 11.5% Eurobonds, at a price of 112.3. The combined effect of these bond buybacks resulted in an exceptional cost of £22.6M. As a result of these purchases, only €34.8M (£27.8M) of the 11.5% 2015 bonds remain outstanding and we anticipate redeeming these at maturity from current resources.

Following the refinancing of the core Eurobond, we reviewed the Group's capital ratio against the backdrop of our strong trading and funding position – particularly the materially lower debt cost and stable macroeconomic outlook. This review concluded that it is appropriate to reduce the equity to receivables ratio to around 45%, from the previous level of 50%. Consequently, over time, we are undertaking an on-market share buyback programme of approximately £50M as part of resetting the capital ratio to around 45%. At the end of June, we had bought back £10.6M of shares, and the equity to receivables ratio was 48.7% including the impact of the exceptional cost of the bond buybacks.

Cash and cash equivalents were £80.1M (2013: £63.1M) following the refinancing in April and May. We anticipate that we will utilise our cash reserves to fund the expected growth in our receivables book and the share buyback in the second half of the year. Gearing, calculated as borrowings divided by equity, is 1.3 times (2013: 0.8 times) reflecting the increased funding following the refinancing. We continue to have significant headroom against our financial covenants.

Outlook

Regulatory challenges remain as does increased competition but we will continue to tackle these proactively. We are making very good progress against our strategic aims and we are excited about the opportunity that our next new market, Spain, will bring. Our most recent share buyback programme, which has been underway since Q2, demonstrates our commitment to operating with a more efficient balance sheet and delivering increased shareholder returns. We have a strong growth trajectory and are confident of achieving further growth for our business during the remainder of 2014.

Review of operations

Poland and Lithuania

Our focus on growth supported another robust trading performance in Poland and expansion in Lithuania is progressing well. We delivered good growth in credit issued and revenue and, together with a further reduction of the cost-income ratio, achieved a 23% increase in reported profit before tax of £28.5M. This reflects strong growth in underlying profit of £8.5M before additional investment of £2.1M in Lithuania and the adverse impact of £1.0M due to weaker FX rates.

	2014 £M	2013 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	853	825	28	3.4	3.4
Credit issued	189.4	178.1	11.3	6.3	10.1
Average net receivables	302.3	272.3	30.0	11.0	14.9
Revenue	158.0	142.4	15.6	11.0	14.8
Impairment	(53.1)	(45.0)	(8.1)	(18.0)	(21.8)
Net revenue	104.9	97.4	7.5	7.7	11.6
Finance costs	(9.8)	(9.8)	-	-	(3.2)
Agents' commission	(16.4)	(15.3)	(1.1)	(7.2)	(11.6)
Other costs	(50.2)	(49.2)	(1.0)	(2.0)	(5.2)
Profit before taxation	28.5	23.1	5.4	23.4	
Poland	30.6	23.5	7.1	30.2	
Lithuania	(2.1)	(0.4)	(1.7)	(425.0)	
Profit before taxation	28.5	23.1	5.4	23.4	

This performance was achieved despite the increasingly competitive landscape in Poland. Within this dynamic environment, we eased credit selectively and continued to offer longer, larger loans to our best quality customers, which contributed in part to a 3% increase in customer numbers to 853,000 and 10% growth in credit issued. Both average net receivables and revenue grew by 15%. The success of this approach is that it delivered growth whilst maintaining the annualised impairment as a percentage of revenue within our target range at 29.7%.

During the first half of 2014 we were also focused on the continued expansion of our operation in Lithuania where we increased our agency force to around 150 and now have 3,700 customers. We extended our geographic reach and with near complete market coverage, we embarked on a nationwide TV campaign in the second quarter to build brand awareness and consumer demand. During the second half of the year, we aim to complete our market expansion plan and accelerate customer growth.

We maintained tight control of costs and, including our investment in Lithuania of £2.1M, the cost-income ratio improved year-on-year by a further 1.3 percentage points to 32.1%. Excluding Lithuania, the Polish business reported an excellent improvement in the cost-income ratio of 2.2 percentage points to 31.0%. We continue to expect the new market costs in Lithuania will be between £4M and £5M in 2014.

We expect to deliver further growth in Poland and Lithuania in the second half by investing more in marketing and incentives, and achieving full market coverage in Lithuania.

Czech Republic and Slovakia

A challenging trading environment in our Czech Republic and Slovakia business resulted in slower than expected growth and reported profit before tax decreased by £2.4M to £11.2M after absorbing a £1.3M adverse impact from weaker FX rates.

Intensifying competition from home credit operators, banks and payday lenders in the Czech Republic has impacted growth rates. In contrast, market conditions in Slovakia are generally positive and more supportive of delivering growth. Therefore, we have continued to ease credit settings and offer higher value, longer-term loans to quality customers in Slovakia to capture sustainable sales opportunities.

	2014	2013	Change	Change	Change at
	£M	£M	£M	%	CER %
Customer numbers (000s)	380	376	4	1.1	1.1
Credit issued	102.7	106.8	(4.1)	(3.8)	4.3
Average net receivables	164.4	157.2	7.2	4.6	13.3
Revenue	71.4	71.4	-	-	8.3
Impairment	(23.9)	(19.3)	(4.6)	(23.8)	(35.0)
Net revenue	47.5	52.1	(4.6)	(8.8)	(1.5)
Finance costs	(4.3)	(4.6)	0.3	6.5	-
Agents' commission	(7.2)	(7.6)	0.4	5.3	(2.9)
Other costs	(24.8)	(26.3)	1.5	5.7	(0.8)
Profit before taxation	11.2	13.6	(2.4)	(17.6)	

Notwithstanding these market challenges, the business generated a 1% increase in customer numbers to 380,000, and growth in credit issued and revenue of 4% and 8% respectively. This was driven by a relatively stronger performance in Slovakia offset by the result in the Czech Republic – a position which was exacerbated by the greater relative weakness of the Czech crown against sterling than was the case for the euro in Slovakia.

We expected to see an increase in impairment as a result of our strategy to deliver incremental growth. However, the actual increase in the period was higher than we expected due to a below par collections performance in latter part of Q2 and adjusting to the changed processes in Slovakia following amendments in the regulatory regime. We continue to be content with our credit settings in both markets and expect our collections performance to improve in the second half of the year. Annualised impairment as a percentage of revenue increased to 26.9% and remains well within our target range.

We continued to manage other costs very tightly and this resulted in a further 1.3 percentage point improvement in the annualised cost-income ratio to 35.1%.

Our expectation is that market conditions will remain challenging in the Czech Republic and positive in Slovakia for the remainder of the year. We will continue to focus on generating growth in both markets and will also undertake our first European tests to deliver loans on a pre-paid card in Slovakia during the second half of the year.

Hungary

Our business in Hungary produced another strong trading performance and delivered good growth, a robust collections performance and tight management of costs. These factors contributed to a £2.0M increase in reported profit to £8.5M which reflects underlying growth of £2.6M before the £0.6M impact of weaker FX rates.

There is strong demand for home credit in Hungary and the introduction of our 100-week, higher value loans in February was well-received by quality customers. We also continued to ease credit settings selectively across the market and aligned field-force rewards toward sustainable growth. Despite a modest increase in marketing activity by banks and other financial institutions, we have increased customer numbers by 11% to 305,000 and achieved strong credit issued growth of 17%. Consequently, average net receivables increased by 25%, which generated strong revenue growth of 17%.

	2014	2013	Change	Change	Change at
	£M	£M	£M	%	CER %
Customer numbers (000s)	305	276	29	10.5	10.5
Credit issued	66.8	61.1	5.7	9.3	17.4
Average net receivables	106.9	92.0	14.9	16.2	24.6
Revenue	51.5	47.4	4.1	8.6	16.5
Impairment	(14.3)	(11.9)	(2.4)	(20.2)	(28.8)
Net revenue	37.2	35.5	1.7	4.8	12.4
Finance costs	(3.5)	(3.7)	0.2	5.4	-
Agents' commission	(7.4)	(7.3)	(0.1)	(1.4)	(8.8)
Other costs	(17.8)	(18.0)	0.2	1.1	(5.3)
Profit before taxation	8.5	6.5	2.0	30.8	

We have been selectively easing credit rules in order to serve more customers which has, as expected, resulted in annualised impairment as a percentage of revenue increasing to 20.5%. This continues to be below our target range and credit quality continues to be robust.

We continued to manage other costs tightly which resulted in the annualised cost-income ratio improving once again by 3.6 percentage points year-on-year to 35.7%.

Following a full evaluation of our initial test, the second stage pilot of our home insurance offer to existing customers in Hungary began in April. The revised offering is proving much more successful and we have since issued home insurance cover to around 2,000 customers and around half of these have also taken family personal accident policies.

In the second half of the year our key focus is on growing customer numbers and credit issued by carefully easing credit rules and extending our 100-week loan offering to existing quality customers. We also plan to move our home insurance offer from pilot to roll-out in 2015.

Romania and Bulgaria

The investment we made in expanding our geographic footprint in 2013 together with selective credit easing and the roll out of longer-term, higher value loans have provided an effective platform to grow our business in Romania and Bulgaria.

Our strategy for growth resulted in a 16% increase in customer numbers to 312,000. It also drove excellent growth in credit issued of 26% and strong revenue growth of 23%. Underlying profit growth in the first half of the year was £1.3M before investing £2.7M in developing our Bulgarian business and the £0.1M adverse impact of weaker FX rates.

	2014	2013	Change	Change	Change at
	£M	£M	£M	%	CER %
Customer numbers (000s)	312	269	43	16.0	16.0
Credit issued	55.9	46.8	9.1	19.4	25.6
Average net receivables	68.6	57.6	11.0	19.1	25.2
Revenue	37.0	31.7	5.3	16.7	22.5
Impairment	(15.2)	(10.8)	(4.4)	(40.7)	(47.6)
Net revenue	21.8	20.9	0.9	4.3	9.5
Finance costs	(2.2)	(2.3)	0.1	4.3	-
Agents' commission	(3.4)	(3.2)	(0.2)	(6.3)	(13.3)
Other costs	(17.2)	(14.9)	(2.3)	(15.4)	(20.3)
(Loss)/profit before taxation	(1.0)	0.5	(1.5)	(300.0)	
Romania	1.7	0.8	0.9	112.5	
Bulgaria	(2.7)	(0.3)	(2.4)	(800.0)	
(Loss)/profit before taxation	(1.0)	0.5	(1.5)	(300.0)	

While we are pleased with the sales growth achieved, impairment as a percentage of revenue is now at 32.3% and above our target range of 25% to 30%. To return impairment to our target range we have implemented some selective credit tightening and expect to see an improvement during the second half of the year.

Our team managed costs very tightly and, excluding the £2.7M investment in Bulgaria, the Romanian business achieved a 0.7 percentage point improvement in the cost-income ratio to 42.8% year-on-year.

Our ProXXI programme is being rolled out in Romania with tablet technology being introduced to around 330 Development Managers and we expect this to assist our continued growth in the second half of the year.

During the first half of 2014 we further expanded our operation in Bulgaria and have 200 agents serving 5,100 customers. National press, radio and online marketing campaigns are supporting customer acquisition activity and brand building in a market where there are several direct home credit competitors. We expect the new market costs in Bulgaria will be between £4M and £5M in 2014.

Mexico

Our business in Mexico continued to achieve excellent growth in the first half of the year and delivered a £1.6M increase in reported profit before tax to £6.6M. Underlying profit grew by £2.5M after the £0.9M adverse impact of FX rates.

We also made good progress towards our £33 profit per customer target by 2015 which we will deliver by increasing revenue per customer, maintaining impairment as a percentage of revenue in our target range of 25% to 30% and improving efficiency by reducing the cost-income ratio to below 40%. At the half year profit per customer was £22, up from £17 in June 2013.

	2014 £M	2013 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	757	694	63	9.1	9.1
Credit issued	98.2	93.7	4.5	4.8	18.2
Average net receivables	119.7	98.5	21.2	21.5	37.3
Revenue	76.2	67.4	8.8	13.1	27.6
Impairment	(23.7)	(21.4)	(2.3)	(10.7)	(24.7)
Net revenue	52.5	46.0	6.5	14.1	29.0
Finance costs	(3.6)	(3.3)	(0.3)	(9.1)	(24.1)
Agents' commission	(10.2)	(8.5)	(1.7)	(20.0)	(36.0)
Other costs	(32.1)	(29.2)	(2.9)	(9.9)	(22.5)
Profit before taxation	6.6	5.0	1.6	32.0	

Geographic expansion in 2013, an additional branch opening in the first half of 2014 and continued easing of credit rules delivered a 9% increase in customer numbers to 757,000 and credit issued growth of 18%. We achieved strong growth in average net receivables of 37% and revenue grew at the slower rate of 28% reflecting the impact of lengthening the term of our loans to customers.

Collections performance and credit quality was maintained and annualised impairment as a percentage of revenue remained consistent with the level reported 12 months ago at 29.8%.

We will increase revenue per customer by issuing higher value loans to customers over a longer term through controlled credit easing. We extended our new credit settings in a further four branches in July and will continue implementation in our remaining branches in the second half of the year and into 2015. This will be supported by the use of credit bureau in our credit decisioning process which is improving customer acquisition quality and the confidence to lend higher values to new customers, whilst maintaining impairment within our target range.

Other costs were managed well and, consequently, the annualised cost-income ratio reduced year-on-year by 1.8 percentage points to 41.9%.

Our branch in Mexico City, which we opened in December 2013, now has 100 agents and is serving around 2,500 customers. The Mexico City conurbation has a population of more than 20 million and we plan to open two more branches in the third quarter of the year.

We are testing the delivery of loans on a pre-paid card in Mexico. This delivery mechanism is working well and has been received positively by customers, around 500 of whom have received their loan in this way. We have also seen good demand for the pilot of Provident Plus, our life and medical assistance insurance cover offered for the duration of a customer's loan, and we will begin to roll-out this product in the second half of the year.

In the second half of the year we aim to open three more branches, increase our agent force to serve more new customers and extend new credit rules in order to accelerate credit issued growth and make further progress towards our £33 profit per customer target.

Note

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 2014 in order to present the underlying performance variance.

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Investor and analyst conference call:

International Personal Finance will host a conference call for analysts and investors at 16:00hrs (BST) today.

Dial in: +44 (0) 20 3003 2666 - Standard International Access

Password: International Personal Finance

Replay

A recording of this call will be available until 19 August 2014. Dial in number: +44 (0) 20 8196 1998 (from within the UK). [Click here for international replay numbers](#). Access code: 2028483

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

International Personal Finance plc
Condensed consolidated interim financial information for the six months ended 30 June 2014

Consolidated income statement

	Notes	Unaudited Six months ended 30 June 2014 £M	Unaudited Six months ended 30 June 2013 £M	Audited Year ended 31 December 2013 £M
Revenue	4	394.1	360.3	746.8
Impairment	4	(130.2)	(108.4)	(198.6)
Revenue less impairment		263.9	251.9	548.2
Finance costs		(23.4)	(23.7)	(49.0)
Other operating costs		(57.3)	(55.1)	(112.5)
Administrative expenses		(136.1)	(130.8)	(268.6)
Total costs		(216.8)	(209.6)	(430.1)
Profit before taxation and exceptional items	4	47.1	42.3	118.1
Exceptional items	4, 6	(22.6)	12.4	12.4
Profit before taxation	4	24.5	54.7	130.5
Tax (expense)/income – UK		-	-	1.2
– overseas		(8.7)	(14.8)	(36.1)
Total tax expense	5	(8.7)	(14.8)	(34.9)
Profit after taxation attributable to owners of the Company		15.8	39.9	95.6

The profit for the period is from continuing operations.

Earnings per share - total

	Notes	Unaudited Six months ended 30 June 2014 pence	Unaudited Six months ended 30 June 2013 pence	Audited Year ended 31 December 2013 pence
Basic	7	6.65	16.20	39.18
Diluted	7	6.43	15.73	38.07

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

Dividend per share

	Notes	Unaudited Six months ended 30 June 2014 pence	Unaudited Six months ended 30 June 2013 pence	Audited Year ended 31 December 2013 pence
Interim dividend	8	4.20	3.80	3.80
Final dividend	8	-	-	5.50
Total dividend		4.20	3.80	9.30

Dividends paid

	Notes	Unaudited Six months ended 30 June 2014 £M	Unaudited Six months ended 30 June 2013 £M	Audited Year ended 31 December 2013 £M
Interim dividend of 4.20 pence (2013: interim dividend of 3.80 pence) per share	8	-	-	9.4
Final 2013 dividend of 5.50 pence (2013: final 2012 dividend of 4.51 pence) per share	8	13.1	11.0	11.0
Total dividends paid		13.1	11.0	20.4

Consolidated statement of comprehensive income

	Unaudited Six months ended 30 June 2014 £M	Unaudited Six months ended 30 June 2013 £M	Audited Year ended 31 December 2013 £M
Profit after taxation attributable to owners of the Company	15.8	39.9	95.6
Other comprehensive (expense)/income:			
Items that may subsequently be reclassified to income statement:			
Exchange losses on foreign currency translations	(19.7)	(0.4)	(3.9)
Net fair value gains/(losses) – cash flow hedges	0.4	(3.6)	(0.5)
Tax credit on items that may be reclassified	-	0.1	0.3
Items that will not subsequently be reclassified to income statement:			
Actuarial (losses)/gains on retirement benefit obligation	(1.5)	1.5	1.9
Tax credit/(charge) on items that will not be reclassified	0.3	(0.3)	(0.4)
Other comprehensive expense net of taxation	(20.5)	(2.7)	(2.6)
Total comprehensive (expense)/income for the period attributable to owners of the Company	(4.7)	37.2	93.0

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

Consolidated balance sheet

	Notes	Unaudited 30 June 2014 £M	Unaudited 30 June 2013 £M	Audited 31 December 2013 £M
Assets				
Non-current assets				
Intangible assets		1.4	2.6	1.8
Property, plant and equipment	9	28.2	25.4	28.8
Deferred tax assets		66.8	57.3	65.2
		96.4	85.3	95.8
Current assets				
Amounts receivable from customers				
- due within one year		717.7	640.6	739.1
- due in more than one year		39.6	46.2	45.7
	10	757.3	686.8	784.8
Derivative financial instruments		3.9	1.9	6.5
Cash and cash equivalents		80.1	63.1	24.6
Other receivables		18.6	22.8	14.4
Current tax assets		-	-	1.3
		859.9	774.6	831.6
Total assets	4	956.3	859.9	927.4
Liabilities				
Current liabilities				
Borrowings	11	(43.2)	(10.6)	(14.4)
Derivative financial instruments		(4.2)	(1.5)	(3.7)
Trade and other payables		(86.4)	(104.1)	(102.8)
Current tax liabilities		(14.1)	(14.7)	(25.6)
		(147.9)	(130.9)	(146.5)
Non-current liabilities				
Retirement benefit obligation	12	(1.9)	(1.2)	(0.9)
Borrowings	11	(437.4)	(323.4)	(386.1)
		(439.3)	(324.6)	(387.0)
Total liabilities		(587.2)	(455.5)	(533.5)
Net assets		369.1	404.4	393.9
Equity attributable to owners of the Company				
Called-up share capital		24.0	24.9	24.0
Other reserve		(22.5)	(22.5)	(22.5)
Foreign exchange reserve		(9.9)	13.3	9.8
Hedging reserve		(0.1)	(3.8)	(0.5)
Shares held by employee trust or in treasury		(12.5)	(4.2)	(3.0)
Capital redemption reserve		1.7	0.8	1.7
Retained earnings		388.4	395.9	384.4
Total equity		369.1	404.4	393.9

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

Consolidated statement of changes in equity

	Unaudited				Total £M
	Called- up share capital £M	Other reserve £M	Other reserves * £M	Retained earnings £M	
	At 1 January 2013	24.9	(22.5)	9.7	
Comprehensive income:					
Profit after taxation for the period	-	-	-	39.9	39.9
Other comprehensive (expense)/income:					
Exchange losses on foreign currency translation	-	-	(0.4)	-	(0.4)
Net fair value losses – cash flow hedges	-	-	(3.6)	-	(3.6)
Actuarial gains on retirement benefit obligation	-	-	-	1.5	1.5
Tax credit/(charge) on other comprehensive (expense)/income	-	-	0.1	(0.3)	(0.2)
Total other comprehensive (expense)/income	-	-	(3.9)	1.2	(2.7)
Total comprehensive (expense)/income for the period	-	-	(3.9)	41.1	37.2
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	2.4	2.4
Shares granted from employee trust	-	-	0.3	(0.3)	-
Dividends paid to Company shareholders	-	-	-	(11.0)	(11.0)
At 30 June 2013	24.9	(22.5)	6.1	395.9	404.4
At 1 July 2013	24.9	(22.5)	6.1	395.9	404.4
Comprehensive income:					
Profit after taxation for the period	-	-	-	55.7	55.7
Other comprehensive (expense)/income:					
Exchange losses on foreign currency translation	-	-	(3.5)	-	(3.5)
Net fair value gains – cash flow hedges	-	-	3.1	-	3.1
Actuarial gains on retirement benefit obligation	-	-	-	0.4	0.4
Tax credit/(charge) on other comprehensive (expense)/income	-	-	0.2	(0.1)	0.1
Total other comprehensive (expense)/income	-	-	(0.2)	0.3	0.1
Total comprehensive (expense)/income for the period	-	-	(0.2)	56.0	55.8
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	2.8	2.8
Deferred tax on share-based payment transactions	-	-	-	0.3	0.3
Own shares acquired	(0.9)	-	0.9	(60.0)	(60.0)
Shares granted from employee trust	-	-	1.2	(1.2)	-
Dividends paid to Company shareholders	-	-	-	(9.4)	(9.4)
At 31 December 2013	24.0	(22.5)	8.0	384.4	393.9

Consolidated statement of changes in equity (continued)

	Unaudited				Total £M
	Called- up share capital £M	Other reserve £M	Other reserves * £M	Retained earnings £M	
	£M	£M	£M	£M	
At 1 January 2014	24.0	(22.5)	8.0	384.4	393.9
Comprehensive income:					
Profit after taxation for the period	-	-	-	15.8	15.8
Other comprehensive (expense)/income:					
Exchange losses on foreign currency translation (note 15)	-	-	(19.7)	-	(19.7)
Net fair value gains – cash flow hedges	-	-	0.4	-	0.4
Actuarial losses on retirement benefit obligation	-	-	-	(1.5)	(1.5)
Tax credit on other comprehensive expense	-	-	-	0.3	0.3
Total other comprehensive expense	-	-	(19.3)	(1.2)	(20.5)
Total comprehensive (expense)/income for the period	-	-	(19.3)	14.6	(4.7)
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	3.6	3.6
Own shares acquired	-	-	(10.6)	-	(10.6)
Shares granted from employee trust	-	-	1.1	(1.1)	-
Dividends paid to Company shareholders	-	-	-	(13.1)	(13.1)
At 30 June 2014	24.0	(22.5)	(20.8)	388.4	369.1

* Includes foreign exchange reserve, hedging reserve, shares held by employee trust or in treasury and capital redemption reserve.

Consolidated cash flow statement

	Notes	Unaudited Six months ended 30 June 2014 £M	Unaudited Six months ended 30 June 2013 £M	Audited Year ended 31 December 2013 £M
Cash flows from operating activities				
Cash generated from operating activities	14	35.3	61.0	84.2
Finance costs paid		(26.2)	(11.4)	(47.0)
Income tax paid		(22.2)	(19.4)	(38.5)
Net cash (used in)/generated from operating activities		(13.1)	30.2	(1.3)
Cash flows from investing activities				
Purchases of property, plant and equipment	9	(6.0)	(5.9)	(13.9)
Proceeds from sale of property, plant and equipment		0.2	0.6	0.6
Net cash used in investing activities		(5.8)	(5.3)	(13.3)
Net cash (used in)/generated from operating and investing activities		(18.9)	24.9	(14.6)
Cash flows from financing activities				
Proceeds from borrowings		287.6	89.8	142.4
Repayment of borrowings		(188.4)	(65.0)	(47.4)
Dividends paid to Company shareholders	8	(13.1)	(11.0)	(20.4)
Acquisition of own shares		(10.6)	-	(60.0)
Cash received on options exercised		-	-	0.7
Net cash generated from financing activities		75.5	13.8	15.3
Net increase in cash and cash equivalents		56.6	38.7	0.7
Cash and cash equivalents at beginning of period		24.6	24.2	24.2
Exchange (losses)/gains on cash and cash equivalents		(1.1)	0.2	(0.3)
Cash and cash equivalents at end of period		80.1	63.1	24.6

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2014

1. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with the Disclosure and Transparency Rules ('DTR') of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union. This condensed consolidated interim financial information should be read in conjunction with the Annual Report and Financial Statements ('the Financial Statements') for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. This condensed consolidated interim financial information was approved for release on 30 July 2014.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Financial Statements for the year ended 31 December 2013 were approved by the Board on 26 February 2014 and delivered to the Registrar of Companies. The Financial Statements contained an unqualified audit report and did not include an emphasis of matter paragraph or any statement under Section 498 of the Companies Act 2006. The Financial Statements are available on the Group's website (www.ipfin.co.uk).

The Board has reviewed the budget for the year to 31 December 2014 and the forecasts for the four years to 31 December 2018 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 are sufficient to fund the planned growth of our existing operations and new markets for the foreseeable future. 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 Half-year Financial Report.

The accounting policies adopted in this condensed consolidated interim financial information are consistent with those adopted in the Financial Statements for the year ended 31 December 2013 and are detailed in those Financial Statements.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2014, but do not have any impact on the Group:

- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment entities';
- IAS 32 (amendment) 'Offsetting financial assets and financial liabilities';
- IAS 36 (amendment) 'Recoverable amount disclosures'; and
- IAS 39 (amendment) 'Novation of derivatives'.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2014 (continued)

2. Principal risks and uncertainties

We operate a formal risk management process, the details of which are set out on page 37 of the Financial Statements for the year ended 31 December 2013. Details of our principal risks can be found on pages 38 to 41 of the Financial Statements and are summarised below:

- the risk that we suffer losses or fail to optimise profitable growth due to a failure to operate in compliance with all applicable laws and regulations, or an external party interpreting these in a different way;
- the risk that we suffer losses or fail to optimise profitable growth through not responding to the competitive environment in market or a failure to ensure our proposition meets customer needs;
- the risk of suffering financial or reputational damage due to our methods of operation, ill-informed comment or malpractice;
- the risk of personal accident or assault for any of our employees or agents;
- the risk that our strategy is impacted due to 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;
- the risk that we suffer losses or fail to optimise profitable growth due to a failure of our systems, suppliers or processes, or due to the loss or theft of sensitive information;
- the risk that we suffer losses or fail to optimise profitable growth due to failure to manage change in an effective manner;
- the risk that we suffer additional taxation or financial penalties associated with failure to comply with tax legislation or adopting an interpretation of the law which cannot be sustained; and
- the risk that we suffer financial loss as a result of a failure to identify and adapt to changing economic conditions adequately.

3. Related parties

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

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2014 (continued)

4. Segment analysis

	Unaudited Six months ended 30 June 2014 £M	Unaudited Six months ended 30 June 2013 £M	Audited Year ended 31 December 2013 £M
Revenue			
Poland-Lithuania	158.0	142.4	295.7
Czech-Slovakia	71.4	71.4	142.8
Hungary	51.5	47.4	97.6
Mexico	76.2	67.4	143.9
Romania-Bulgaria	37.0	31.7	66.8
	394.1	360.3	746.8
Impairment			
Poland-Lithuania	53.1	45.0	84.3
Czech-Slovakia	23.9	19.3	33.8
Hungary	14.3	11.9	18.4
Mexico	23.7	21.4	43.2
Romania-Bulgaria	15.2	10.8	18.9
	130.2	108.4	198.6
Profit before taxation			
Poland-Lithuania	28.5	23.1	62.3
Czech-Slovakia	11.2	13.6	32.5
Hungary	8.5	6.5	19.4
Mexico	6.6	5.0	14.5
Romania-Bulgaria	(1.0)	0.5	3.1
UK costs ¹	(6.7)	(6.4)	(13.7)
Profit before taxation and exceptional items			
	47.1	42.3	118.1
Exceptional items ¹ (see note 6)	(22.6)	12.4	12.4
Profit before taxation			
	24.5	54.7	130.5

¹ Although UK costs and exceptional items 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 condensed consolidated interim financial information for the six months ended 30 June 2014 (continued)

Segment assets	Unaudited 30 June 2014 £M	Unaudited 30 June 2013 £M	Audited 31 December 2013 £M
Poland-Lithuania	330.6	296.4	339.9
Czech-Slovakia	182.3	181.5	190.0
Hungary	118.0	112.2	127.2
Mexico	167.5	139.9	160.9
Romania-Bulgaria	74.4	62.4	73.0
UK ²	83.5	67.5	36.4
Total	956.3	859.9	927.4

Segment liabilities	Unaudited 30 June 2014 £M	Unaudited 30 June 2013 £M	Audited 31 December 2013 £M
Poland-Lithuania	108.6	67.9	102.7
Czech-Slovakia	133.2	64.3	120.6
Hungary	60.9	52.0	58.9
Mexico	124.9	98.3	110.2
Romania-Bulgaria	39.6	32.6	40.3
UK ²	120.0	140.4	100.8
Total	587.2	455.5	533.5

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

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 underlying taxation charge on pre-exceptional profit for the first six months of 2014 has been based on an expected effective pre-exceptional tax rate for the full year of 27% (30 June 2013: 27%, 31 December 2013: 27%).

In addition, a tax credit of £4.0M is expected to arise on the exceptional item of £22.6M set out in note 6.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2014 (continued)

6. Exceptional items

The income statement includes an exceptional loss of £22.6M incurred on the buyback of €190.2M (£152.5M) of existing 11.5% Eurobonds due 2015. The exceptional item arose because the existing Eurobonds were bought back at a premium to par value.

The exceptional charge in 2013 included a £15.9M profit on the sale of impaired receivables originating from loans issued in Poland and a write down in the carrying value of IT assets of £3.5M. The impairment of IT assets arose from a review of the future technology platforms that we need to support our growth strategy, which identified assets that are no longer compatible with this vision.

7. Earnings per share

	Unaudited Six months ended 30 June 2014 pence	Unaudited Six months ended 30 June 2013 pence	Audited Year ended 31 December 2013 pence
Basic EPS	6.65	16.20	39.18
Dilutive effect of awards	(0.22)	(0.47)	(1.11)
Diluted EPS	6.43	15.73	38.07

Basic earnings per share (EPS) is calculated by dividing the earnings attributable to shareholders of £15.8M (30 June 2013: £39.9M, 31 December 2013: £95.6M) by the weighted average number of shares in issue during the period of 237.5M which has been adjusted to exclude the weighted average number of shares held by the employee trust or in treasury (30 June 2013: 246.3M, 31 December 2013: 244.0M).

For diluted EPS the weighted average number of shares has been adjusted to 245.6M (30 June 2013: 253.7M, 31 December 2013: 251.1M) to assume conversion of all dilutive potential ordinary share options relating to employees of the Group.

The adjusted earnings per share, of 14.48 pence (30 June 2013: 12.55 pence, 31 December 2013: 35.46 pence), shown in the financial highlights of this report has been presented before exceptional items, in order to better present the performance of the Group.

8. Dividends

The final dividend for 2013 of 5.50 pence per share was paid to shareholders on 9 May 2014 at a total cost to the Group of £13.1M. The directors propose an interim dividend in respect of the financial year ended 31 December 2014 of 4.20 pence per share payable to shareholders who are on the register at close of business on 5 September 2014. This will amount to a total dividend payment of £9.9M based upon the number of shares in issue and ranking for dividends as at 30 June 2014. This dividend is not reflected as a liability in the balance sheet as at 30 June 2014.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2014 (continued)

9. Property, plant and equipment

	Unaudited 30 June 2014 £M	Unaudited 30 June 2013 £M	Audited 31 December 2013 £M
Net book value at start of period	28.8	28.3	28.3
Exchange adjustments	(0.6)	0.2	(0.1)
Additions	6.0	5.9	13.9
Disposals	(0.2)	(4.1)	(3.7)
Charge to the income statement	(5.8)	(4.9)	(9.6)
Net book value at end of period	28.2	25.4	28.8

As at 30 June 2014 the Group had £4.4M of capital expenditure commitments with third parties that were not provided for (30 June 2013: £6.2M, 31 December 2013: £3.6M).

10. Amounts receivable from customers

	Unaudited 30 June 2014 £M	Unaudited 30 June 2013 £M	Audited 31 December 2013 £M
Polish zloty	298.2	270.4	310.0
Czech crown	106.2	108.7	114.4
Euro (Slovakia)	53.4	50.8	55.6
Hungarian forint	104.7	95.2	112.5
Mexican peso	123.0	103.7	122.5
Romanian leu	69.6	58.0	69.0
Lithuanian litas	1.1	-	0.4
Bulgarian lev	1.1	-	0.4
Total receivables	757.3	686.8	784.8

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

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 122% (30 June 2013: 129%, 31 December 2013: 126%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 5.7 months (30 June 2013: 5.5 months, 31 December 2013: 5.8 months).

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2014 (continued)

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 £229.5M (6 months ended 30 June 2013: £208.6M, 12 months ended 31 December 2013: £421.7M).

11. Borrowings

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

	Unaudited 30 June 2014 £M	Unaudited 30 June 2013 £M	Audited 31 December 2013 £M
Repayable:			
- in less than one year	43.1	10.6	14.4
- between one and two years	36.1	41.8	247.5
- between two and seven years	401.4	281.6	138.6
	437.5	323.4	386.1
Total borrowings	480.6	334.0	400.5

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

	Unaudited 30 June 2014 £M	Unaudited 30 June 2013 £M	Audited 31 December 2013 £M
Repayable:			
- on demand	13.8	11.7	14.0
- in less than one year	163.9	86.1	31.3
- between one and two years	53.3	179.5	361.3
- between two and seven years	445.9	285.5	169.2
Total facilities	676.9	562.8	575.8

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2014 (continued)

12. Retirement benefit obligation

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

	Unaudited 30 June 2014 £M	Unaudited 30 June 2013 £M	Audited 31 December 2013 £M
Equities	19.1	17.8	18.2
Bonds	8.5	7.6	8.2
Index-linked gilts	7.1	6.2	6.7
Other	0.1	-	0.1
Total fair value of scheme assets	34.8	31.6	33.2
Present value of funded defined benefit obligation	(36.7)	(32.8)	(34.1)
Net obligation recognised in the balance sheet	(1.9)	(1.2)	(0.9)

The charge recognised in the income statement in respect of defined benefit pension costs is £nil (6 months ended 30 June 2013: £nil, 12 months ended 31 December 2013: £0.1M).

13. Fair values of financial assets and liabilities

IFRS 7 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).

All of the Group's financial instruments held at fair value fall into hierarchy level 2 (30 June 2013 and 31 December 2013: all of the Group's financial instruments held at fair value fell into hierarchy level 2). The fair value of derivative financial instruments has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at the relevant period end.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2014 (continued)

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

	Carrying value			Fair value		
	Unaudited 30 June 2014 £M	Unaudited 30 June 2013 £M	Audited 31 December 2013 £M	Unaudited 30 June 2014 £M	Unaudited 30 June 2013 £M	Audited 31 December 2013 £M
Financial assets						
Amounts receivable from customers	757.3	686.8	784.8	1,030.0	924.2	1,079.7
	757.3	686.8	784.8	1,030.0	924.2	1,079.7
Financial liabilities						
Bonds	474.4	326.8	371.1	489.7	356.0	401.9
Bank borrowings	6.2	7.2	29.4	6.2	7.2	29.4
	480.6	334.0	400.5	495.9	363.2	431.3

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.

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

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

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2014 (continued)

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

	Unaudited Six months ended 30 June 2014 £M	Unaudited Six months ended 30 June 2013 £M	Audited Year ended 31 December 2013 £M
Profit after taxation	15.8	39.9	95.6
Adjusted for:			
Tax charge	8.7	14.8	34.9
Finance costs	23.4	23.7	49.0
Share-based payment charge	2.9	1.6	3.1
Defined benefit pension costs	-	-	0.1
Depreciation of property, plant and equipment (see note 9)	5.8	4.9	9.6
Loss on disposal of property, plant and equipment	-	3.2	3.1
Amortisation of intangible assets	0.4	0.6	1.1
Loss on disposal of intangible assets	-	0.3	0.3
Changes in operating assets and liabilities:			
Amounts receivable from customers	(4.7)	(38.2)	(143.1)
Other receivables	(9.3)	(9.4)	0.9
Trade and other payables	(10.5)	26.4	35.2
Retirement benefit obligation	(0.5)	(0.5)	(0.5)
Derivative financial instruments	3.3	(6.3)	(5.1)
Cash generated from operating activities	35.3	61.0	84.2

15. 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 H1 2014	Closing June 2014	Average H1 2013	Closing June 2013	Average Year 2013	Closing December 2013
Poland	5.1	5.2	4.9	5.1	5.0	5.0
Lithuania	4.2	4.3	n/a	n/a	4.1	4.2
Czech Republic	33.4	34.3	30.1	30.4	30.3	32.9
Slovakia	1.2	1.3	1.2	1.2	1.2	1.2
Hungary	375.5	382.0	349.1	351.4	347.2	357.6
Romania	5.4	5.5	5.2	5.3	5.2	5.4
Bulgaria	2.4	2.4	n/a	n/a	2.3	2.4
Mexico	21.9	22.1	19.4	20.5	20.2	21.6

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2014 (continued)

The £19.7M exchange loss on foreign currency translations shown within the consolidated statement of comprehensive income arises on retranslation of net assets denominated in currencies other than sterling, due to the change in foreign exchange rates against sterling between December 2013 and June 2014 shown in the table above.

16. Contingent liabilities

The Group's Polish business received a notice from the Polish Office of Consumer Protection and Competition ('UOKiK') in December 2013 stating that the way it calculates APRs amounts to a collective infringement of consumer interests and issued a fine of PLN 12.4M (£2.4M). UOKiK believes that the fee for the optional home service and an associated additional preparatory fee should be included in the total cost of credit and therefore the APR figure. On the basis of legal advice received, we believe that we are correctly calculating the total cost of credit and APR and have appealed against the decision. Consequently we have not made a provision in this Half-year Financial Report for the cost of the fine because we do not believe it constitutes a probable and measurable cash outflow from the Group.

Responsibility statement

The following statement is given by each of the directors: namely; Christopher Rodrigues, Chairman; Gerard Ryan, Chief Executive Officer; Adrian Gardner, Chief Financial Officer; David Broadbent, Chief Commercial Officer; Tony Hales, non-executive director; Edyta Kurek, non-executive director; Richard Moat, non-executive director; Nicholas Page, non-executive director and Cathryn Riley, non-executive director.

The directors confirm that to the best of their knowledge:

- the condensed consolidated interim financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union;
- the Half-year Financial Report includes a fair review of the information required by DTR 4.2.7 (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the Half-year Financial Report includes a fair view of the information required by DTR 4.2.8 (disclosure of related parties' transactions and changes therein).

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

Independent review report to the members of International Personal Finance plc

We have been engaged by International Personal Finance plc (“the Company”) to review the condensed consolidated interim financial information in the Half-year Financial Report for the six months ended 30 June 2014 which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes 1 to 16. We have read the other information contained in the Half-year Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial information.

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

Directors’ responsibilities

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

As disclosed in note 1, the Annual Report and Financial Statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial information included in this Half-year Financial Report has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting,” as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial information in the Half-year Financial Report based on our review.

Scope of Review

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

**Independent review report to the members of International Personal Finance plc
(continued)**

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information in the Half-year Financial Report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
30 July 2014