Full-year Financial Report for the year ended 31 December 2017

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International Personal Finance plc
Full-year Financial Report for the year ended 31 December 2017
This announcement contains inside information

Key highlights

- **Group – solid financial and operational performance**
  - Group profit before tax from continuing operations of £105.6M, an increase of £9.6M including a £11.3M positive FX benefit
  - Credit issued growth of 6% led by IPF Digital
  - Consistent credit quality management - group impairment to revenue ratio at 24.4%

- **Home credit**
  - Credit issued broadly flat
  - Credit issued growth of 13% in Mexico and strong operational recovery following earthquakes in Q3
  - Very good portfolio quality in European home credit
  - Collect-out in Slovakia and Lithuania completed successfully

- **IPF Digital**
  - Strong top-line growth – credit issued increased by 44% to £230.8M
  - Strong growth in new markets - credit issued growth of 105%
  - Established markets delivered good profit growth

- **Robust funding and balance sheet position; dividend maintained**
  - £53M of new and increased three-year bank funding
  - £189M headroom on undrawn bank facilities
  - Equity to receivables of 47.0%, after exceptional deferred tax charge of £30M
  - Proposed final dividend maintained at 7.8 pence per share

Group key statistics from continuing operations	FY 2016	**FY 2017**	YOY change at CER
Customers (000s)	2,521	**2,290**	(9.2%)
Credit issued (£M)	1,145.0	**1,301.5**	5.9%
Revenue (£M)	756.8	**825.8**	1.5%
Impairment % revenue	24.4%	**24.4%**	-
Cost-income ratio	45.3%	**45.8%**	(0.5 ppts)
PBT (£M)	96.0	**105.6**	
EPS (pence)	32.2	**20.2**	
Pre-exceptional EPS* (pence)	32.2	**33.7**	

*see alternative performance measures on page 44

Chief Executive Officer, Gerard Ryan, commented: "IPF delivered a solid operational and financial performance in 2017. We continued to serve creditworthy customers who might otherwise be financially excluded, while maintaining credit quality. Credit issued increased by 6%, with particularly strong performances delivered by IPF Digital and Mexico home credit. Looking ahead, we will progress our strategy to serve our customers responsibly within a challenging regulatory and competitive landscape, and optimise returns from our European home credit businesses to fund growth in IPF Digital and Mexico home credit, and deliver progressive returns to shareholders."

Alternative Performance Measures

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

Group performance overview

We delivered a solid financial and operational performance in 2017 and profit before tax increased to £105.6M. We generated an increase in like-for-like profit before tax of £5.3M primarily as a result of improved profitability delivered by IPF Digital's established markets. Overall, like-for-like profit in home credit was broadly flat reflecting an £11.4M reduction in our ongoing businesses offset largely by an £11.1M year-on-year increase in Slovakia and Lithuania arising from lower costs of closure. Stronger FX rates resulted in an £11.3M positive impact which was offset partially by incremental new business investment in IPF Digital of £7.0M.

	2016 reported Profit £M	Like-for-like profit movement £M	New business investment £M	Stronger FX rates £M	**2017 reported profit £M**
Home credit	120.2	(0.3)	-	12.3	**132.2**
Digital	(9.3)	5.6	(7.0)	(1.0)	**(11.7)**
Central costs	(14.9)	-	-	-	**(14.9)**
Profit before taxation from continuing operations	96.0	5.3	(7.0)	11.3	**105.6**

We delivered a 6% increase in credit issued as a result of strong growth in our Mexico home credit and IPF Digital businesses, and this resulted in growth in average net receivables and revenue of 7% and 1% respectively. We managed credit quality effectively and impairment as a percentage of revenue at 24.4% was slightly below our target range of 25% to 30%. The compression of revenue yields and our investments in driving growth and longer-term efficiency resulted in a slight increase in our cost-income ratio, up 0.5 ppts to 45.8%.

Market overview

The market for consumer credit continues to evolve in all of our markets. Consumers are increasingly choosing to apply for credit online and this has driven the increase in competition from digital lending operators and major retail banks, as well as more regulatory oversight from national banks and consumer protection authorities.

Notwithstanding these changes, it is clear that home credit will co-exist with digital credit offerings, providing access to regulated credit for people who might otherwise be financially excluded. The involvement of an agent at the customer's home allows us to gain a unique and more in-depth understanding of their financial circumstances and propensity to repay. This means we are able to lend with more confidence to creditworthy customers where a remote lending business cannot.

Regulatory update

There has been no update from the Polish Ministry of Justice on its proposal, published in December 2016, to reduce the existing non-interest pricing cap in Poland. We continue to be in dialogue with various interested parties to encourage a more positive outcome for both consumers and credit providers.

At the beginning of 2017, more stringent creditworthiness assessments were introduced in Romania which impacted growth in that market. As reported in our Q3 trading update, there were further regulatory changes which have since resulted in our business being supervised by the National Bank of Romania for the first time. This is likely to lead to a further tightening of credit criteria and a reduction in the volume of loans we are allowed to provide to customers in that market.

Our business in the Czech Republic has been granted a licence by the Czech National Bank. This follows, as previously announced, the introduction of legislation in this market requiring all non-banking financial institutions to obtain a licence to trade.

We operate within price cap environments in all our European markets with the exception of the Czech Republic, Romania and Spain, and expect pricing regulations to be implemented in these markets at some point in the future. A proposal to implement an APR cap of 18% for existing and new consumer lending is being debated in the Romanian Parliament and we are contributing to this discussion.

Strategy update

Our strategy is focused on delivering sustainable growth in our targeted markets, enhancing Group profitability and making efficient use of our capital base. We made steady progress in each of these areas in 2017.

Growth businesses – IPF Digital and Mexico home credit

Growing our digital lending business and demonstrating that the IPF Digital business model can deliver a good financial return are key strategic priorities for the Group, and we made good progress against both objectives. Focusing on providing a superior customer experience through product and process innovation helped deliver strong demand for our credit line product. In many of our markets this line of credit facility has replaced instalment loans as our core customer offering. In our new markets of Poland, Spain, Mexico and Australia, we continued to refine our credit scorecards and delivered strong receivables growth as well as improved credit quality and cost efficiency. In our established markets of Finland and the Baltics, we delivered further credit issued growth through smarter, risk-based pricing strategies, enhanced customer relationship management activities and increased penetration of our credit line product. We expect to deliver further strong growth and improved operational performance in 2018.

In Mexico, there are significant growth opportunities for our home credit business. We remain focused on expanding our geographic footprint, building our micro-business channel, and improving operational efficiency and customer penetration rates in selected longer-established branches. We opened six branches in the first half of 2017 which, together with those branches opened in 2016, now serve around 55,000 customers and we plan to open a similar number of branches in 2018. We also took the opportunity to review the operational efficiency of our established branches and decided to close two branches in Monterrey. Consequently, our results include a reduction of 16,000 customers and a charge of £1.9M for the write-down of the associated receivables portfolio and closure costs. Our micro-business channel, now available in the majority of our branches in Mexico, is growing well with around 16,000 customers and we expect further expansion in 2018.

Returns businesses – European home credit

We are focused on improving the sustainability of our European home credit businesses by creating more modern, efficient and higher credit quality operations that provide a good service to customers and continue to generate the cash and capital to fund growth opportunities and progressive returns to shareholders. We have done this in response to the regulatory and competitive market conditions in which we operate in Europe by offering customers a broader choice of more competitively priced products, and improving the efficiency of our operations through investment in technology.

We continued to roll out our agent mobile technology which will improve the customer experience, make the role of the agent more efficient and facilitate cost reductions. At the end of 2017, all agents in Hungary and the Czech Republic were using the technology and the implementation in Poland is expected to be completed in the first half of 2018. There has been no significant operational disruption as a result of these changes and agent feedback is supportive.

To enable us to serve more customers with digital offerings, we are leveraging our Provident brand with a Provident digital offering in Poland. This has been well received and around 15,000 customers are being served through this channel. We plan to introduce this offering in the Czech Republic in the first half of 2018.

In order to protect the business model, we continued to dedicate resource to working more closely with governments and other key stakeholders so that new legislation affecting our sector is beneficial for both consumers and providers of finance. In response to greater regulatory oversight of the consumer credit market we have also introduced more competitive rates on our home credit products in Europe through longer-term lending.

As reported at the half year, we simplified our business structure and created a Northern Europe region comprising our Polish and Czech businesses to complement the existing Southern Europe region of Hungary and Romania. This is enabling our teams to better share best practice and is expected to support the delivery of cost efficiencies over the longer-term. This management structure is now fully integrated into the business. In order to further simplify our financial reporting in alignment with our strategy, we have decided to consolidate all European home credit businesses into one reporting segment. Accordingly, in 2018 our segmented reporting will comprise European home credit, Mexico and IPF Digital.

Performance review

Home credit

Our home credit businesses delivered profit before tax of £132.2M in 2017 which comprised £129.0M from our ongoing businesses and £3.2M from our home credit operations in Slovakia and Lithuania, which are being wound down. The increase in profit delivered by our ongoing home credit businesses reflects a reduction in like-for-like profit of £11.4M before a £12.8M benefit from stronger FX rates. The like-for-like increase in profit in Slovakia and Lithuania of £11.1M, after a loss in 2016 of £7.4M, was driven by a strong collections performance together with a significantly lower cost base following the wind-down of these operations.

	2016 reported profit £M	Like-for-like profit movement £M	FX rates £M	**2017 reported profit £M**
Northern Europe	75.6	(24.9)	9.1	**59.8**
Southern Europe	40.3	11.3	2.9	**54.5**
Mexico	11.7	2.2	0.8	**14.7**
Ongoing home credit	127.6	(11.4)	12.8	**129.0**
Slovakia and Lithuania	(7.4)	11.1	(0.5)	**3.2**
Profit before taxation from continuing operations	120.2	(0.3)	12.3	**132.2**

Excluding Slovakia and Lithuania, the results for our ongoing home credit businesses are shown in the table below:

	2016 £M	**2017 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	2,284	**2,064**	(220)	(9.6)	(9.6)
Credit issued	991.3	**1,070.7**	79.4	8.0	0.6
Average net receivables	758.5	**833.9**	75.4	9.9	2.1
Revenue	687.9	**721.7**	33.8	4.9	(2.4)
Impairment	(179.4)	**(166.7)**	12.7	7.1	13.5
Net revenue	508.5	**555.0**	46.5	9.1	1.5
Finance costs	(41.8)	**(46.8)**	(5.0)	(12.0)	(4.2)
Agents' commission	(82.0)	**(85.5)**	(3.5)	(4.3)	2.6
Other costs	(257.1)	**(293.7)**	(36.6)	(14.2)	(7.3)
Profit before taxation	127.6	**129.0**	1.4	1.1	

Northern Europe

Our Northern Europe region delivered profit before tax of £59.8M which reflects a reduction in like-for-like profit of £24.9M, driven primarily by intense competition in the Czech Republic and lower pricing introduced following the price cap on consumer loans which came into force in Poland in March 2016. In addition, we took the decision to increase our credit score cut-off threshold in Poland which resulted in a smaller but higher quality portfolio. The result for the region was offset partly by a £9.1M benefit from stronger FX rates.

	2016 £M	**2017 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	849	**737**	(112)	(13.2)	(13.2)
Credit issued	468.9	**508.6**	39.7	8.5	(1.3)
Average net receivables	403.3	**424.0**	20.7	5.1	(4.3)
Revenue	330.6	**327.0**	(3.6)	(1.1)	(10.1)
Impairment	(76.2)	**(74.1)**	2.1	2.8	12.2
Net revenue	254.4	**252.9**	(1.5)	(0.6)	(9.5)
Finance costs	(21.7)	**(24.4)**	(2.7)	(12.4)	(2.5)
Agents' commission	(35.5)	**(32.1)**	3.4	9.6	17.7
Other costs	(121.6)	**(136.6)**	(15.0)	(12.3)	(3.5)
Profit before taxation	75.6	**59.8**	(15.8)	(20.9)	

Credit issued for the region reduced by 1% in 2017 with 3% growth in Poland and a 16% contraction in the Czech Republic, due mainly to intense competition from banks, and payday and digital lenders. Average net receivables contracted by 4% reflecting the reduction in credit issued in the Czech Republic. The smaller receivables portfolio, together with a reduction in revenue yield from 82% to 77%, resulted in a 10% contraction in revenue. In Poland, our decision to implement increased credit score thresholds combined with price cap driven yield compression led to a reduction in revenue. In the Czech Republic, reduced revenue arose due to the contraction in the receivables book and a reduction in yield as a result of our strategy of serving customers with longer-term loans.

We continued to deliver a good collections performance which resulted in a 0.3 ppt year-on-year improvement in impairment as a percentage of revenue to 22.7%. The cost-income ratio for the region increased by 5.0 ppts to 41.8%, which reflected the contraction of revenue yields together with higher costs. The cost increase was driven by further investment in our Provident-branded digital offering in both markets together with higher levels of depreciation and increased IT spend largely arising from the rollout of our agent mobile technology.

In the absence of an update from the Polish Ministry of Justice on its proposal to further tighten existing cost of credit legislation, we will continue to operate in line with our strategy and manage our Northern Europe region to deliver a high level of service to our customers while optimising returns. We also expect to deliver progressive improvements in the cost-income ratio in 2018 as we see the benefits of agent mobile technology being used across the region.

Southern Europe

Southern Europe delivered improved profit performances in both markets, increasing total profit before tax for the region to £54.5M driven by good growth in Hungary and a significant contribution from debt sale profits in Romania. This result reflects like-for-like profit growth of £11.1M and a £2.9M positive impact of FX rates.

	2016 £M	**2017 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	594	**499**	(95)	(16.0)	(16.0)
Credit issued	289.0	**288.4**	(0.6)	(0.2)	(5.9)
Average net receivables	205.5	**237.7**	32.2	15.7	8.7
Revenue	170.8	**177.7**	6.9	4.0	(2.4)
Impairment	(35.2)	**(17.0)**	18.2	51.7	55.3
Net revenue	135.6	**160.7**	25.1	18.5	11.5
Finance costs	(11.5)	**(12.2)**	(0.7)	(6.1)	-
Agents' commission	(22.2)	**(24.5)**	(2.3)	(10.4)	(3.8)
Other costs	(61.6)	**(69.5)**	(7.9)	(12.8)	(6.8)
Profit before taxation	40.3	**54.5**	14.2	35.2	

Non-banking financial institutions in Romania were required to operate under tighter creditworthiness assessment legislation from January 2017, and serving customers under this new framework resulted, as expected, in a contraction in growth rates in Southern Europe. For the region as a whole, credit issued reduced by 6% reflecting growth in Hungary offset by a 20% contraction in Romania. Average net receivables increased by 9% as a result of our continued strategy to offer higher value, longer-term loans in response to customer demand. Revenue contracted by 2% due to the lower yields earned on this longer-term lending.

We delivered very good collections with a strong, consistent performance in Hungary throughout the year and a progressive improvement in Romania following a difficult first quarter as we transitioned the business to operate under the new regulations. In the second half of the year, we also executed a number of significant debt sales, principally in Romania, and this contributed approximately £11M to profit growth in the year. We expect approximately half of this benefit to recur in 2018 as we move to forward flow agreements in both countries. The good collections performance together with the debt sale profit delivered an 11.0 ppts improvement in impairment as a percentage of revenue to 9.6% at the year end.

The cost-income ratio increased by 3.0 ppts to 39.1% which reflects higher levels of IT investment to support the digitisation of our business together with compression in revenue yields.

Like Northern Europe, we will continue to focus on transitioning our business in Romania to operate within the requirements of the National Bank of Romania Special Registry framework and improve the efficiency of our operations.

Mexico

Our business in Mexico delivered a £3.0M improvement in profit before tax to £14.7M, despite being impacted by two earthquakes in September. This result includes a £4.3M investment (2016: £2.5M) in geographic expansion and building our micro-business channel.

	2016 £M	**2017** **£M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	841	**828**	(13)	(1.5)	(1.5)
Credit issued	233.4	**273.7**	40.3	17.3	12.9
Average net receivables	149.7	**172.2**	22.5	15.0	10.9
Revenue	186.5	**217.0**	30.5	16.4	12.0
Impairment	(68.0)	**(75.6)**	(7.6)	(11.2)	(7.4)
Net revenue	118.5	**141.4**	22.9	19.3	14.7
Finance costs	(8.6)	**(10.2)**	(1.6)	(18.6)	(14.6)
Agents' commission	(24.3)	**(28.9)**	(4.6)	(18.9)	(14.7)
Other costs	(73.9)	**(87.6)**	(13.7)	(18.5)	(14.2)
Profit before taxation	11.7	**14.7**	3.0	25.6	

Our objective in 2017 was to maintain the growth momentum achieved in Q4 2016 (8% annualised). We delivered credit issued growth of 19% in the year to August and, notwithstanding the disruption caused by the two earthquakes in September (which resulted in a contraction of 7% rather than growth), our teams worked hard to react to these events and achieved credit issued growth in the fourth quarter of 8% and 13% for the year as a whole. We also executed our programme of investment in our micro-business channel and geographic expansion, opening six new branches in the first half of 2017.

This growth delivered an increase in average net receivables of 11% and, with revenue yields remaining consistent year-on-year, revenue increased at a similar rate. The growth in credit issued was accompanied by an improvement in our collections performance and impairment as a percentage of revenue improved by 1.7 ppts to 34.8%. This is higher than our original guidance for 2017 but in line with the expectations set out in our Q3 trading update following the earthquakes. It also includes £1.5M of impairment arising from our decision to close two branches in the north of Mexico in order to focus on improved operational efficiency.

We continued to invest in growth which resulted in an increase in other costs of £10.9M at constant exchange rates (actual: £13.7M). Around half of this investment supported improved operating performances in our existing branches with the balance invested in our expansion programme and micro-business channel. For Mexico as a whole, this led to a small increase of 0.8 ppts in the cost-income ratio to 40.4%.

There are significant growth opportunities for our home credit business in Mexico and we expect to return to customer growth in 2018. We will continue to implement our new branch opening programme and build our micro-business channel to maximise these opportunities, while simultaneously focusing on managing selected longer-established branches to deliver improved operational leverage.

Slovakia and Lithuania

The collect-out of our portfolios in Slovakia and Lithuania was more effective than our original expectations and we reported a combined profit in 2017 of £3.2M compared to a loss of £7.4M in 2016. The result for 2017 is £2.2M lower than we reported at the half year reflecting an increase in the expected costs of the liquidation of our Slovakia business following a delay in the surrender of our operating licence to the National Bank.

IPF Digital

IPF Digital represents a significant growth opportunity for the Group and continued to develop well in 2017. Our established digital markets delivered a strong increase in credit issued and good profit growth to £18.5M, which was offset by the planned increase in investment in our new markets and head office capabilities. IPF Digital as a whole incurred a loss before tax of £11.7M.

	2016 £M	**2017 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	194	**226**	32	16.5	16.5
Credit issued	150.2	**230.8**	80.6	53.7	43.6
Average net receivables	86.4	**159.2**	72.8	84.3	72.9
Revenue	58.1	**104.1**	46.0	79.2	67.6
Impairment	(17.5)	**(42.9)**	(25.4)	(145.1)	(127.0)
Net revenue	40.6	**61.2**	20.6	50.7	41.7
Finance costs	(4.0)	**(8.4)**	(4.4)	(110.0)	(100.0)
Other costs	(45.9)	**(64.5)**	(18.6)	(40.5)	(30.8)
Loss before taxation	(9.3)	**(11.7)**	(2.4)	(25.8)	

Demand continued to grow for our credit line and digital instalment loans, which drove a 44% increase in credit issued to £230.8M. Average net receivables increased by 73% which resulted in 68% revenue growth while impairment as a percentage of revenue increased year-on-year by 11.1 ppts to 41.2%. This reflects an improved credit performance in our established markets, offset by the increased weighting of new markets in our portfolio and the inclusion of the benefit of a one-off debt sale in our established markets in our 2016 impairment charge.

As previously guided, we invested an additional £7.0M in building our new markets of Poland, Spain, Australia and Mexico, and strengthening our head office capabilities and technology platform to deliver future growth. The strong increase in revenue offset these additional costs and resulted in a 17.0 ppts reduction in the cost-income ratio to 62.0%.

The profitability of IPF Digital is segmented as follows:

	2016 £M	**2017 £M**	Change £M	Change %
Established markets	12.4	**18.5**	6.1	49.2
New markets	(15.4)	**(20.5)**	(5.1)	(33.1)
Head office costs	(6.3)	**(9.7)**	(3.4)	(54.0)
IPF Digital	(9.3)	**(11.7)**	(2.4)	(25.8)

Established markets

	2016 £M	**2017 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	137	**141**	4	2.9	2.9
Credit issued	108.4	**138.7**	30.3	28.0	19.9
Average net receivables	70.9	**109.5**	38.6	54.4	44.8
Revenue	45.5	**63.4**	17.9	39.3	30.5
Impairment	(7.6)	**(13.2)**	(5.6)	(73.7)	(57.1)
Net revenue	37.9	**50.2**	12.3	32.5	24.9
Finance costs	(3.4)	**(5.8)**	(2.4)	(70.6)	(61.1)
Other costs	(22.1)	**(25.9)**	(3.8)	(17.2)	(9.3)
Profit before taxation	12.4	**18.5**	6.1	49.2	

Our established markets of Finland and the Baltics continued to grow strongly and delivered an excellent financial performance in 2017, reporting a £6.1M year-on-year increase in profit before tax to £18.5M. This was achieved through smarter risk-based pricing strategies, strong CRM activities and increased penetration of our credit line product, all of which delivered credit issued growth of 20%.

Average net receivables grew by 45% which generated a 31% increase in revenue. Credit quality remains excellent and impairment as a percentage of revenue was 20.8% compared to 16.7% in 2016, which included a £4.4M benefit from a one-off debt sale. The cost-income ratio improved by 7.7 ppts to 40.9% demonstrating the benefits of increased scale and tight cost control, while continuing to invest in generating growth.

New markets

	2016 £M	**2017 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	57	**85**	28	49.1	49.1
Credit issued	41.8	**92.1**	50.3	120.3	104.7
Average net receivables	15.5	**49.7**	34.2	220.6	201.2
Revenue	12.6	**40.7**	28.1	223.0	201.5
Impairment	(9.9)	**(29.7)**	(19.8)	(200.0)	(182.9)
Net revenue	2.7	**11.0**	8.3	307.4	266.7
Finance costs	(0.6)	**(2.6)**	(2.0)	(333.3)	(333.3)
Other costs	(17.5)	**(28.9)**	(11.4)	(65.1)	(52.9)
Loss before taxation	(15.4)	**(20.5)**	(5.1)	(33.1)	

Our new markets delivered another year of strong growth driven by Poland and Spain. We accelerated our investment in building consumer awareness of our brand and CRM activities, which resulted in strong credit issued growth of 105% to £92.1M, and average net receivables and revenue growth of over 200%.

Impairment as a percentage of revenue in these rapidly growing markets continues to run at a relatively elevated level reflecting the greater mix of new customers who have a higher risk profile, and the normal learning curve for managing credit risk in new markets. We are continuously refining the credit settings and collections processes and, as expected, impairment as a percentage of revenue improved to 73.0% at the 2017 year end representing a 10.7 ppts improvement since the half year. Other costs increased by 53% to £28.9M reflecting increased expenditure on brand building and CRM activities. The cost-income ratio improved from 140% in 2016 to 71% in 2017 driven by increasing economies of scale.

Looking ahead to 2018 for IPF Digital as a whole, we expect to deliver continuing strong growth and an improved performance, driven by increased scale and further enhancements in impairment and cost-efficiency trends as our new markets grow and mature. Our previous guidance, based on accounting standard IAS39, was that we expected IPF Digital to deliver its maiden profit in 2018. Under the new accounting standard IFRS 9, the timing of impairment and therefore profit recognition, particularly in our new markets which are growing strongly, will be negatively impacted. For further detail on IFRS 9 see page 14.

Discontinued operations

The sale of our home credit business in Bulgaria in June 2017 resulted in a one-off accounting charge of £5.7M which, together with the trading loss of £2.7M generated in 2017, has been accounted for as a discontinued operation in accordance with IFRS 5. The 2016 comparatives have been adjusted accordingly.

Taxation

The taxation charge for the year on statutory pre-tax profit from continuing operations excluding exceptional items was £30.6M (2016: £24.8M) which equates to an adjusted effective rate of 29.0% (2016: 25.8%). This excludes a £30M one-off tax charge arising in respect of a change of tax law in Poland, which is explained further below. Including this item, the tax charge was £60.6M, which equates to an effective tax rate of 57.4%. It also excludes a £0.5M tax charge in respect of our Bulgarian operation, which was disposed of during 2017 and is reported as a loss on discontinued operations. The effective tax rate for 2018 is expected to be in the region of 33% to 35%, which assumes the impact of changes to our business operations in Poland that we are currently evaluating following the change in tax legislation on 1 January 2018.

As previously reported, our home credit business in Poland appealed decisions received in January 2017 from the Polish Tax Chamber (the upper tier of the Polish tax authority) with respect to the 2008 and 2009 financial years. The decisions for both years involve a transfer pricing challenge relating to an intra-group arrangement with a UK entity, together with a challenge to the timing of taxation of home collection fee revenues. In order to appeal these decisions, with which we strongly disagree, it was necessary to pay the amounts assessed. The payment is not a reflection of our view on the merits of the case and, accordingly, it has been recognised as a non-current financial asset of £37M (comprising tax and associated interest) in our Group accounts. At the time of our original announcement in January 2017, we said that we intended to initiate a process with the UK tax authority aimed at ensuring that the intra-group arrangement is taxed in accordance with international tax principles. This has now been initiated and, in response, the Polish court has stayed the hearings of the 2008 and 2009 appeals pending resolution of this process. The 2010 and 2011 financial years are being audited by the tax authorities in Poland currently. In the event that the Polish tax authority were to issue decisions following the same reasoning as the decisions for 2008 and 2009 we would need to pay c.£44M in order to appeal the cases. All subsequent financial years remain open to future audit.

As indicated in our statement of 4 October 2017, a comprehensive set of proposed changes to Polish corporate income tax was approved by the Polish Government's Council of Ministers. This came into force on 1 January 2018. The main impact for our business relates to the tax deductibility of certain expenses linked to intra-group transactions. Due to the absence of adequate transitional provisions in the new law, payments made prior to 1 January 2018 under long-standing arrangements have become tax ineffective. Historically, these amounts were treated as giving rise to a deferred tax asset, which has now been written off. The overall impact of this is a one-off deferred tax charge of £30M in 2017, which has been treated as an exceptional tax expense in the 2017 accounts.

Funding and balance sheet

We have a strong funding position with a balanced debt portfolio including a range of bonds at competitive cost across a number of currencies, wholesale and retail, with varying maturities; and a range of bank facilities from a core group of banks. In 2017, we added £53.0M of new and increased three-year bank funding, including increased commitments in Poland and Hungary, and two new banks. We also issued €12M (£10.7M) of new bonds as a tap of our existing 2021 bonds, and at the same time bought back €11.75M (£10.5M) of our 2018 bonds. In addition, our funding position in 2017 benefitted from the strong cash collection in Slovakia and Lithuania. At 31 December 2017, we had total debt facilities of £867.0M (£593.2M bonds and £273.8M bank facilities) and borrowings of £677.7M with headroom on undrawn debt facilities of £189.3M. In January 2018, we repaid £11.5M of Hungarian bonds and have further bond maturities in 2018 of £25.3M in May and £28.3M in November/December. We have significant long-term funding, with over £500M of bonds in place until 2020/21.

Our balance sheet remains robust, with an equity to receivables capital ratio at 31 December 2017 of 47.0%, after the exceptional deferred tax charge of £30M. While the capital ratio is higher than our target level of 40%, it ensures we have sufficient capital for growth while maintaining the resilience of the balance sheet, given the regulatory and tax challenges that the Group faces.

Dividend

Subject to shareholder approval, a final dividend of 7.8 pence per share will be payable, which will bring the full-year dividend to 12.4 pence per share (2016: 12.4 pence per share). The full-year dividend of 12.4 pence per share represents a total payment equivalent to approximately 61.3% of post-tax earnings from continuing operations for 2017. As a percentage of pre-exceptional profit after tax from continuing operations for 2017, it equates to a pay-out ratio of approximately 36.8%, which is modestly above our target pay-out rate of 35%. The final dividend will be paid on 11 May 2018 to shareholders on the register at the close of business on 13 April 2018. The shares will be marked ex-dividend on 12 April 2018.

IFRS 9

IFRS 9 is a new accounting standard that addresses accounting for financial instruments with the main impact on the Group being a change to the methodology used to account for loan balances due from customers. The key change compared to the old accounting standard is a shift from incurred loss to expected loss impairment accounting. Under IFRS 9, the Group will be required to record impairment charges at the inception of a loan based on the losses that are expected to be incurred and this will result in negative net revenue at the start of a loan. The new standard became effective from 1 January 2018.

The overall impact of the new standard will be a reduction in the carrying value of receivables on the balance sheet and our preliminary assessment is that it will have an impact of between 11% and 13%. The day one impact of this charge will be charged to equity after adjusting related deferred tax balances. After this one-time adjustment to receivables, IFRS 9 will have no impact on net revenue generation if a receivables book is stable both in terms of size and quality. This is because for every new loan issued where impairment is booked on origination, there is another older loan where net revenue is higher than under the current accounting standard. However, if a receivables book is growing, profit will be lower under IFRS 9 because impairment booked at origination is larger than the benefit arising from higher net revenue on older agreements. In contrast, if the receivables book is contracting, profit will be higher under IFRS 9 because the early impairment booked at origination is more than offset by higher net revenue on the older agreements. Under IFRS 9, our preliminary assessment is that profit in 2017 would have been around 6% to 8% lower than under the current accounting standard, principally due to the lower net revenue that would have been recognised in IPF Digital and our Mexican home credit business, where receivables portfolios are growing.

The financial covenants on our debt funding facilities are based on the current accounting standard and therefore are not impacted by this change.

IFRS 9 is an accounting change that has no impact on our business model, credit quality, cash flows and economic value or returns.

Board change

Jayne Almond, a non-executive member of our Board of Directors, has advised the Board that she will not be seeking re-election at the our upcoming AGM on 4 May 2018, and that she will step down with effect from the conclusion of the AGM, having served on the Company's Board since June 2015. The Board would like to thank Jayne for her service and valuable contribution in that time. A process to select a new non-executive director to replace Jayne is underway.

Outlook

We are focused on serving our customers responsibly within a regulatory and competitive landscape that we expect will remain challenging. We will continue to improve the sustainability of our European home credit businesses by creating more modern, efficient and higher credit quality operations that provide a good service to customers, and continue to generate the cash and capital to fund growth opportunities and progressive returns to shareholders. We expect IPF Digital to deliver further strong growth and an improved performance driven by increased scale and further enhancements in financial metrics as our new markets grow and mature. In Mexico, we expect to return to customer growth, expand our geographic footprint and micro-business channel, and deliver improved operational efficiency in our established branches.

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, like-for-like *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 2017 in order to present the* like-for-like *performance variance.*

International Personal Finance plc

Consolidated income statement for the year ended 31 December

	Notes	**2017 £M**	2016 £M
Revenue	4	**825.8**	756.8
Impairment	4	**(201.1)**	(184.9)
Revenue less impairment		**624.7**	571.9
Finance costs		**(55.2)**	(46.8)
Other operating costs		**(135.2)**	(129.1)
Administrative expenses		**(328.7)**	(300.0)
Total costs		**(519.1)**	(475.9)
Profit before taxation – continuing operations	4	**105.6**	96.0
Tax expense – UK		**(0.7)**	(3.1)
– Overseas		**(29.9)**	(21.7)
Total pre-exceptional tax expense	5	**(30.6)**	(24.8)
Profit after pre-exceptional taxation – continuing operations		**75.0**	71.2
Exceptional tax expense	5	**(30.0)**	-
Profit after taxation – continuing operations		**45.0**	71.2
Loss after taxation – discontinued operations	8	**(8.4)**	(4.3)
Profit after taxation attributable to owners of the Company		**36.6**	66.9

Earnings per share – continuing operations pre-exceptional

	Notes	**2017 pence**	2016 pence
Basic	6	**33.7**	32.2
Diluted	6	**32.4**	31.3

Earnings per share – continuing operations

	Notes	**2017 pence**	2016 pence
Basic	6	**20.2**	32.2
Diluted	6	**19.5**	31.3

Earnings per share – including discontinued operations

	Notes	**2017 pence**	2016 pence
Basic	6	**16.5**	30.2
Diluted	6	**15.8**	29.4

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

Consolidated statement of comprehensive income for the year ended 31 December

	2017 **£M**	2016 £M
Profit after taxation attributable to owners of the Company	**36.6**	66.9
Other comprehensive income/(expense)		
Items that may subsequently be reclassified to income statement:		
Exchange gains on foreign currency translations	**51.3**	65.1
Net fair value (losses)/gains – cash flow hedges	**(2.5)**	1.5
Tax credit/(charge) on items that may be reclassified	**0.2**	(0.1)
Items that will not subsequently be reclassified to income statement:		
Actuarial gains/(losses) on retirement benefit obligation	**10.3**	(10.0)
Tax (charge)/credit on items that will not be reclassified	**(1.9)**	1.9
Other comprehensive income net of taxation	**57.4**	58.4
Total comprehensive income for the year attributable to owners of the Company	**94.0**	125.3

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

Balance sheet as at 31 December

	Notes	**2017 £M**	2016 £M
Assets			
Non-current assets			
Goodwill	9	**24.4**	23.3
Intangible assets	10	**33.1**	32.6
Property, plant and equipment	11	**23.2**	23.4
Deferred tax assets	12	**103.1**	112.0
Non-current tax asset	13	**37.0**	-
Retirement benefit asset	17	**2.1**	-
		222.9	191.3
Current assets			
Amounts receivable from customers			
- due within one year		**866.9**	808.3
- due in more than one year		**190.0**	131.6
	14	**1,056.9**	939.9
Derivative financial instruments	16	**10.4**	15.4
Cash and cash equivalents		**27.4**	43.4
Other receivables		**19.3**	20.8
Current tax assets		**5.7**	3.1
		1,119.7	1,022.6
Total assets		**1,342.6**	1,213.9
Liabilities			
Current liabilities			
Borrowings	15	**(79.6)**	(22.4)
Derivative financial instruments	16	**(4.8)**	(4.7)
Trade and other payables		**(145.7)**	(123.2)
Current tax liabilities		**(7.4)**	(16.5)
		(237.5)	(166.8)
Non-current liabilities			
Retirement benefit obligation	17	**-**	(9.1)
Deferred tax liabilities	12	**(10.1)**	(8.1)
Borrowings	15	**(598.1)**	(600.4)
		(608.2)	(617.6)
Total liabilities		**(845.7)**	(784.4)
Net assets		**496.9**	429.5
Equity attributable to owners of the Company			
Called-up share capital		**23.4**	23.4
Other reserve		**(22.5)**	(22.5)
Foreign exchange reserve		**60.0**	8.7
Hedging reserve		**(1.2)**	1.1
Own shares		**(47.6)**	(50.8)
Capital redemption reserve		**2.3**	2.3
Retained earnings		**482.5**	467.3
Total equity		**496.9**	429.5

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 2016	23.4	(22.5)	(113.3)	439.6	327.2
Comprehensive income:					
Profit after taxation for the year	-	-	-	66.9	66.9
Other comprehensive income/(expense):					
Exchange gains on foreign currency translation	-	-	65.1	-	65.1
Net fair value gains – cash flow hedges	-	-	1.5	-	1.5
Actuarial losses on retirement benefit obligation	-	-	-	(10.0)	(10.0)
Tax (charge)/credit on other comprehensive income	-	-	(0.1)	1.9	1.8
Total other comprehensive income/(expense)	-	-	66.5	(8.1)	58.4
Total comprehensive income for the year	-	-	66.5	58.8	125.3
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	4.4	4.4
Shares granted from treasury and employee trust	-	-	8.1	(8.1)	-
Dividends paid to Company shareholders	-	-	-	(27.4)	(27.4)
At 31 December 2016	23.4	(22.5)	(38.7)	467.3	429.5
At 1 January 2017	**23.4**	**(22.5)**	**(38.7)**	**467.3**	**429.5**
Comprehensive income:					
Profit after taxation for the year	**-**	**-**	-	**36.6**	**36.6**
Other comprehensive income/(expense):					
Exchange gains on foreign currency translation	**-**	**-**	**51.3**	**-**	**51.3**
Net fair value losses – cash flow hedges	**-**	**-**	**(2.5)**	-	**(2.5)**
Actuarial gains on retirement benefit obligation	**-**	**-**	**-**	**10.3**	**10.3**
Tax credit/(charge) on other comprehensive income	**-**	**-**	**0.2**	**(1.9)**	**(1.7)**
Total other comprehensive income	**-**	**-**	**49.0**	**8.4**	**57.4**
Total comprehensive income for the year	**-**	**-**	**49.0**	**45.0**	**94.0**
Transactions with owners:					
Share-based payment adjustment to reserves	**-**	**-**	**-**	**1.0**	**1.0**
Shares granted from treasury and employee trust	**-**	**-**	**3.2**	**(3.2)**	**-**
Dividends paid to Company shareholders	**-**	**-**	-	**(27.6)**	**(27.6)**
At 31 December 2017	**23.4**	**(22.5)**	**13.5**	**482.5**	**496.9**

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

Cash flow statement for the year ended 31 December

	2017 £M	2016 £M
Cash flows from operating activities		
Continuing operations		
Cash generated from operating activities	**143.6**	136.2
Finance costs paid	**(54.7)**	(44.3)
Income tax paid	**(94.0)**	(68.4)
Discontinued operations	**(2.7)**	(1.7)
Net cash generated from operating activities	**(7.8)**	21.8
Cash flows from investing activities		
Continuing operations		
Purchases of intangible assets	**(14.9)**	(15.8)
Purchases of property, plant and equipment	**(10.1)**	(8.2)
Proceeds from sale of property, plant and equipment	**0.7**	-
Discontinued operations		
Purchases of property, plant and equipment	**-**	(0.1)
Disposal of subsidiary, net of cash and cash equivalents	**3.0**	-
Net cash used in investing activities	**(21.3)**	(24.1)
Net cash used in operating and investing activities	**(29.1)**	(2.3)
Cash flows from financing activities		
Continuing operations		
Proceeds from borrowings	**92.5**	69.9
Repayment of borrowings	**(53.2)**	(41.7)
Dividends paid to Company shareholders	**(27.6)**	(27.4)
Net cash generated from financing activities	**11.7**	0.8
Net decrease in cash and cash equivalents	**(17.4)**	(1.5)
Cash and cash equivalents at beginning of year	**43.4**	39.9
Exchange gains on cash and cash equivalents	**1.4**	5.0
Cash and cash equivalents at end of year	**27.4**	43.4

Notes to the financial information for the year ended 31 December 2017

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 2017, 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 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's annual general meeting. The auditor has reported on those Financial Statements: its reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly they continue to adopt the going concern basis in preparing this financial information (see note 22 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 2017 which can be found on the Group's website (www.ipfin.co.uk).

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2017 but do not have any impact on the Group:

- Amendments to IAS 12 'Recognition of deferred tax assets for unrealised losses';
- Annual Improvements to IFRSs: 2014-2016 cycle; and
- IAS 7 (amendment) 'Disclosure initiative'.

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

- IFRS 9 'Financial instruments' (for more detail see below);
- IFRS 15 'Revenue from contracts with customers (and the related clarifications)';
- IFRS 16 'Leases' (for more detail see page 24);
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration';
- Amendments to IAS 40 'Transfers of investment property';
- IFRS 2 (amendment)'Classification and Measurement of Share-based Payment Transactions'; and
- IFRIC23 'Uncertainty over Income Tax Treatments'.

Notes to the financial information for the year ended 31 December 2017 (continued)

IFRS 9 Financial Instruments

The Group will apply IFRS 9 from 1 January 2018. The Group has elected not to restate comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on the Group's Consolidated Financial Statements will depend on the financial instruments that the Group has during 2018 as well as on economic conditions and judgements made as at the year end. The Group has performed a preliminary assessment of the potential impact of adopting IFRS 9 based on the financial instruments and hedging relationships as at the date of initial application of IFRS 9 (1 January 2018).

Classification and measurement

With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income (FVTOCI) and (iii) fair value through profit or loss (FVTPL). Equity instruments in the scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income.

There will be no impact on the classification and measurement of the following financial assets held by the Group: derivative financial instruments; cash and cash equivalents; other receivables and current tax assets.

There will be no change in the accounting for any financial liabilities.

Impairment

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date. The new impairment model will apply to the Group's financial assets that are measured at amortised costs.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for amounts receivable from customers as required or permitted for IFRS 9. The Group's preliminary calculation of the loss allowance for these assets as at 1 January 2018 is around 11% to 13% greater compared to IAS 39.

Determining an increase in credit risk since initial recognition

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

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

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

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

Definition of default and credit impaired assets

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

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

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

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

Forward-looking information

Under IFRS 9 macroeconomic overlays are required to include forward-looking information when calculating expected credit losses. The short-term nature of our lending means that the portfolio turns over quickly, and as a result, any changes in the macroeconomic environment will have very little impact on our amounts receivable from customers.

Where extreme macroeconomic scenarios are experienced, we will use management judgement to identify, quantify and apply any required approach. We have not applied any overlays in the calculation of the loss allowance at 1 January 2018.

Modelling techniques

We have calculated PD, EAD, LGD and cash flow projections based on the most recent collections performance, including management overlays where we deem that historic performance is not representative of future collections performance.

The most recent LGD performance is not deemed to be representative of future collections performance due to operational changes implemented in 2017. As such, an overlay has been applied to the LGD parameters resulting in an increase in LGDs.

Hedge accounting

On initial application of IFRS 9, an entity may choose, as its accounting policy, to continue to apply the hedge accounting requirements of IAS 39 instead of the hedge accounting requirements of IFRS 9. The Group has elected to apply the IAS 39 hedge accounting requirements.

IFRS 16 Leases

IFRS 16, which has not yet been endorsed by the EU, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Group expects to adopt IFRS 16 for the year ending 31 December 2019. No decision has been made about whether to use any of the transitional options in IFRS 16.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating leases under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments will be split into a principal and interest portion which will be presented as operating and financing cash flows respectively. Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of £33.0 million. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, although some of them will qualify as low value or short-term leases upon the application of IFRS 16. The Group is in the process of assessing the impact of recognising a right-of-use asset and a related lease liability in the Group Financial Statements. It is not practicable to provide a reasonable estimate of the financial effect until this review has been completed.

Notes to the financial information for the year ended 31 December 2017 (continued)

Alternative Performance Measures

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

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

Each of the APMs, used by the Group are set out on pages 44 to 50 including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant.

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

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

Notes to the financial information for the year ended 31 December 2017 (continued)

2. Principal risks and uncertainties

In accordance with the Companies Act 2006, a description of the principal risks and uncertainties (and the mitigating factors in place in respect of these) is included below. Effective management of risks, uncertainties and opportunities is critical to our business in order to deliver long-term shareholder value and protect our people, assets and reputation. In 2017, we continued to face a challenging external environment, particularly from changing regulation and competition. Internally, our operational governance framework and risk management processes are continually reviewed to ensure that where areas of improvement are identified, a plan of action is put in place and can become a key focus for the Board. The effectiveness of operating these processes is monitored by the Audit and Risk Committee on behalf of the Board.

As at the year end, the Board considered that there are 16 key risks which require ongoing focus (noted with asterisks in the table below).

The risks facing the business by risk category are:

Risk Category	Definition	Risks	Description
MARKET CONDITIONS	The risk that we cannot identify, respond to, comply with or take advantage of external market conditions.	**Regulatory** • Legal compliance * • Legal and regulatory challenges and issues* • Future legal and regulatory development*	• Compliance with existing laws and regulations • Challenges to interpretation or application of existing laws and regulations • Anticipating and responding to changes to laws and regulations and their interpretation
		Competition and product proposition • Competition* • Product proposition*	• Responding to changes in market conditions • Meeting customer requirements
		Funding, market and counterparty • Funding* • Interest rate and currency • Counterparty	• Funding availability to meet business needs • Market volatility impacting performance and asset values • Loss of banking partner
		World economic environment* **Taxation***	• Adapting to economic conditions • Changes to, or interpretation of, tax legislation
STAKEHOLDER	The risk that key stakeholders take a negative view of the business as a direct result of our actions or our inability to effectively manage their perception of the Group.	• Reputation* • Customer service	• Reputational damage • Maintenance of customer service standards
OPERATIONAL	The risk of unacceptable losses as a result of inadequacies or failures in our internal core processes, systems or people behaviours.	• Credit* • Safety* • People* • Business continuity* and information security* • Financial and performance reporting • Technology* • Fraud	• Customers fail to repay • Harm to our agents/employees • Calibre of people • Recoverability and security of systems and processes • Failure of financial reporting systems • Maintenance of effective technology • Theft or fraud loss
BUSINESS DEVELOPMENT	The risk that our earnings are impacted adversely by a sub-optimal business strategy or the sub-optimal implementation of that strategy, due to internal or external factors.	• Change management* • Brand	• Delivery of strategic initiatives • Strength of our customer brands

*Risks currently considered by the Board as the principal risks facing the Group.

Notes to the financial information for the year ended 31 December 2017 (continued)

2. Principal risks and uncertainties (continued)

Key:	Risk Environment Improving ↑	Risk Environment Stable ↔	Risk Environment Worsening ↓
Risk	**Relevance to Strategy**	**Mitigation**	**Commentary**
1. Regulatory We suffer losses or fail to optimise profitable growth due to a failure to operate in compliance with, or effectively anticipate changes in, all applicable laws and regulations, or due to a regulator interpreting these in a different way. **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.	Changes in regulation, differences in interpretation or clarification/enforcement of laws not previously enforced by courts and other bodies can lead to challenge of our products/practices. We must monitor legal and regulatory developments to ensure we maintain compliance, remain competitive and provide value for our customers. **Likelihood** The frequency of legal and regulatory change and the likelihood of challenge vary by market. In 2017, notable changes occurred in Romania. We also expect pricing regulations to be implemented at some point in the future in those markets where there are no price caps currently.	We have highly skilled and experienced legal and public affairs teams at Group level and in each of our markets. Expert third-party advisors are used where necessary. Strong relationships are established and maintained with regulators, legislators and other stakeholders. The strategy of strengthening relevant associations contributes to the monitoring, as well as to the influencing capabilities. Co-ordinated legal and public affairs teams, at a Group level and in each market, monitor political, legislative and regulatory developments. Compliance programme focused on key consumer legislation.	↔ **Lead responsibility: Chief Executive Officer** See Chief Executive Officer's review and operational review for details of key regulatory changes in 2017 and proposals for future regulation A number of legislative and regulatory changes have been implemented in 2017 and further potential changes continue to be proposed and debated, particularly in Europe. As stated elsewhere in this report, these have had a significant impact on our business in Romania in particular this year, and there continues to be the potential for a significant impact on our business in Poland. We continued to evolve and strengthen our approach to governing this risk focusing on establishing and maintaining constructive relationships with regulators, politicians and other stakeholders, participating in sector associations and informing our stakeholders about the role our services play in society and the economy.
2. Competition and product proposition We suffer losses or fail to optimise profitable growth through not responding to the competitive environment or failing to ensure our proposition meets customer needs. **Objective** We aim to ensure we understand competitive threats and deliver customer focused products to drive growth.	In an environment of increasing competition and broadening customer choice, ensuring our product meets customers' needs is critical to delivering growth. **Likelihood** Competition varies by market and is likely to remain at a high level particularly in Europe.	Regular monitoring of competitors and their offerings, advertising and share of voice in our markets. Regular surveys of customer views on our product offerings. Product development committees established across the Group to manage product change and introduce new products.	↔ **Lead responsibility: Chief Executive Officer** In Europe, competition in 2017 remained intense particularly from digital lenders, home credit operators and banks as they enhanced their customer propositions. In Mexico competition is stable and digital lending remains small-scale. IPF Digital continued to grow strongly in 2017 and diversification into digital lending enables us to offer further product choices to customers in our target segment. In 2017 we launched a number of pricing promotions in our European home credit markets to acquire new and retain existing customers.
3. Taxation We suffer additional taxation or financial penalties associated with failure to comply with tax legislation or adopting an interpretation of the law that cannot be sustained. **Objective** We aim to generate shareholder value through effective management of tax while acting as a good corporate citizen. We are committed to ensuring compliance with tax law and practice in all of the territories in which we operate.	Against a backdrop of increasing fiscal challenges for most economies, many authorities are turning to corporate taxpayers to increase revenues, either via taxation reforms or through changes to interpretations of existing legislation. **Likelihood** The likelihood of changes or challenges arising from tax legislation varies by market. Globally, OECD and EU-led developments may lead to an increase in transfer pricing audits.	Binding rulings or clearances obtained from authorities where appropriate. External advisors used for all material tax transactions. Qualified and experienced tax teams at Group level and in-market.	↔ **Lead responsibility: Chief Financial Officer** We have ongoing tax audits in Poland, Mexico and Slovakia. In Poland, where we appealed two adverse decisions made by the Polish tax authority in respect of 2008 and 2009, hearings have been stayed pending resolution of a process with the UK tax authority aimed at ensuring the intra-group arrangement being challenged is taxed in accordance with international tax principles. In order to appeal these decisions, we had to pay c.£37M in tax and interest, and further payments could be required in respect of future years that are still open to audit, including 2010 and 2011 where audits are ongoing. All subsequent years remain open to audit.

Notes to the financial information for the year ended 31 December 2017 (continued)

2. Principal risks and uncertainties (continued)

Key:	Risk Environment Improving ↑	Risk Environment Stable ↔	Risk Environment Worsening ↓

Risk	Relevance to Strategy	Mitigation	Commentary
4. Technology and change management We suffer losses or fail to optimise profitable growth due to a failure to develop and maintain effective technology solutions or manage change in an effective manner. **Objective** We aim to effectively manage the design, delivery and benefits realisation of major technology and change initiatives and deliver according to requirements, budgets and timescales.	A core part of our strategy is to modernise our home credit operation and invest in digital developments. Effective management of the initiatives within this programme is essential. **Likelihood** Our change programme is complex covering numerous markets. By centralising our IT resources into an expanded Group IT structure and strengthening our programme management capabilities we are better placed to minimise the likelihood of programme-wide issues.	Executive director and country manager level prioritisation of key initiatives. Standard project management methodology principles defined. Governance structure in place to oversee ongoing change at Group and market levels, and review existing systems architecture.	↔ **Lead responsibility: Chief Executive Officer** Our change programme encompasses a broad technological remit and we are rolling out mobile technology applications to agents. A revised IT strategy was launched in 2016 to ensure we are able to respond effectively to changing regulatory, competitor and customer behaviour dynamics.
5. People Our strategy is impacted by not having sufficient depth and quality of people or being unable to retain key people and treat them in accordance with our values and ethical standards. **Objective** We aim to have sufficient breadth of capabilities and depth of personnel to ensure that we can meet our strategic objectives.	Our strategy segments our operations into 'growth' focused and 'returns' focused businesses to reflect the fact that they are at different stages of maturity. In order to achieve our goals, we must continue to attract, engage, retain and reward the right people. **Likelihood** Our People Organisation and Planning processes ensure that we develop appropriate and significant strength and depth of talent across the Group and we have the ability to move people between markets, which reduces our exposure to critical roles being under resourced. During 2018, we will continue to develop resource, retain and reward the right people.	Strategic people review processes (people and organisational planning) operate throughout the Group. Group-wide personal development review process and continuous development through targeted leadership programmes. Periodic employee and agent engagement surveys and improvement plans. Focus on HR governance and maintenance of our employer value proposition across the Group. Plan to introduce specific HR performance metrics in 2018.	↔ **Lead Responsibility: Chief Executive Officer** Our people strategy focuses on building and maintaining a culture of high engagement and performance and we devote significant leadership time to identifying, developing and empowering our people. We made structural changes in our European home credit business with the creation of the Northern Europe region and introduced a Group-wide functional matrix structure. These changes are further facilitating the sharing of best practice and collaboration. We strengthened our Group-level leadership team with the appointment of a new Group HR Director and Chief Legal Officer.
6. Business continuity and information security We suffer losses or fail to optimise profitable growth due to a failure of our systems, suppliers or processes or due to the loss, theft or corruption of information. **Objective** We aim to maintain adequate arrangements and controls that reduce the threat of service and business disruption and the risk of data loss to as low as is reasonably practicable.	Globally, we have 2.3 million customers and we record, update and maintain data for each of them on a regular basis, often weekly. The availability of this data, and the continued operation of our systems and processes, is essential to the effective operation of our business and the security of our customer information. **Likelihood** While the external threat to our systems is increasing in the digital age, the tools in place reduce the likelihood of a significant failure or information loss.	Technology systems and services are designed for resilience and tested before launch. Periodic ongoing testing and monitoring of security and recovery capability for technology and premises.	↔ **Lead responsibility: Chief Executive Officer** During 2017, we have performed a number of tests of our information security and continue to work towards further improvement using expert advice. In addition to periodic testing of technology, we perform regular tests and rehearsals of our communication processes and our plans for alternative worksites, where applicable. We are working to ensure compliance in all our European markets with the new General Data Protection Regulation, which will be introduced 25 May 2018.

Notes to the financial information for the year ended 31 December 2017 (continued)

2. Principal risks and uncertainties (continued)

Key:	Risk Environment Improving ↑	Risk Environment Stable ↔	Risk Environment Worsening ↓
Risk	**Relevance to Strategy**	**Mitigation**	**Commentary**
7. Reputation We suffer financial or reputational damage due to our methods of operation, ill-informed comment or malpractice. **Objective** We aim to promote a positive reputation based on a mutual understanding of what we do that will help the Group deliver its strategic aims.	Our reputation can have an impact on both customer sentiment and the engagement of key stakeholders, impacting our ability to operate and serve our customer segment. **Likelihood** We maintain strong relationships with key stakeholders across the Group in order to develop their understanding of our business model and how we deliver services to our customers. This helps protect the business from unforeseen events that could damage our reputation.	Group Reputation and Regulation Committee. Clearly defined corporate values and ethical standards are communicated throughout the organisation and all employees and agents are mandated to undertake annual ethics e-learning. Regular monitoring of key reputation drivers.	↔ **Lead responsibility: Chief Executive Officer** Our home credit and digital businesses have achieved industry awards for the way we conduct our business and we have been recognised as a top employer and socially responsible business. We also undertake a range of corporate responsibility programmes. We take a proactive approach to reputation management and update the market on material challenges that we are required to disclose.
8. World economic environment We suffer financial loss as a result of a failure to identify and adapt to changing economic conditions adequately. **Objective** We aim to have business processes that allow us to respond to changes in economic conditions and optimise business performance.	Changes in economic conditions have a direct impact on our customers' ability to make repayments. **Likelihood** While we operate in numerous markets, the likelihood of a change in economic markets that we are unable to respond to, and that impacts our strategy, is minimised by our short-term lending business models.	Treasury and credit committees review economic indicators. Monitoring of economic, political and national news briefings. Strong, personal customer relationships inform us of Individual customer circumstances.	↔ **Lead responsibility: Chief Financial Officer** There were reasonably stable macroeconomic conditions in all our markets in 2017. Current indicators suggest our markets will deliver positive GDP growth, low but increasing inflation and subdued interest rates in 2018. We continue to monitor the impact of Brexit and other geopolitical events on financial markets and macroeconomic conditions.
9. Safety The risk of personal accident to, or assault on, our agents or employees. **Objective** We aim to maintain adequate arrangements that reduce the risks to as low as is reasonably practicable.	A significant element of our business model involves our agents and employees interacting with our customers in their homes or travelling to numerous locations daily. Their safety is paramount to us. **Likelihood** The likelihood of an individual incident depends on many factors, including the local environment. We strive to ensure that our agents and employees can carry out their work without risk of harm.	Group and market committees and annual safety survey. Bi-annual risk mapping for each agency including mitigation planning and field safety training. Annual self-certification of safety compliance by managers. Quarterly branch safety meetings. Role-specific training and competence matrix. Safety management systems based on internationally recognised standards.	↑ **Lead responsibility: Chief Executive Officer** We continued to make progress in our safety management systems and maintained our Occupational Health and Safety Assessment Series (OHSAS) certification in all home credit businesses. Safety continues to be a significant area of focus for the Group.
10. Credit The risk of the Group suffering financial loss if its customers fail to meet their contracted obligations. **Objective** We aim to maintain credit and collections policies and regularly monitor credit performance.	With the expansion of our IPF Digital and Mexico home credit businesses, it is important that we retain control of credit losses in order to achieve our intended returns. For the European home credit businesses we focus on writing profitable business to optimise returns. **Likelihood** Our control environment in place means that we will see issues quickly and the systems in place mean that we can change credit settings quickly, and therefore the likelihood of suffering large losses is low.	Weekly credit reporting on the quality of business at time of issue as well as the overall portfolio. This feeds into weekly performance calls between each business and the Group credit director. In addition, there are monthly local credit committees, a monthly Group credit committee and monthly performance calls between each business and the Group management team. When a new change is introduced, the credit systems allow for a testing approach that gives direct comparison of the current 'champion' regime against the new 'challenger'.	↔ **Lead responsibility: Chief Executive Officer** Credit risk in our European home credit markets is stable. Our Mexico home credit business delivered improved growth during the first half of 2017 but there was some instability from September following two earthquakes which hit the country. Improved performance returned in Q4. The credit risk environment in our established IPF Digital markets is generally stable with very low loss rates. In our new markets there have been rapid changes and learnings applied to credit settings resulting in strongly improving credit quality.

Notes to the financial information for the year ended 31 December 2017 (continued)

2. Principal risks and uncertainties (continued)

Key:	Risk Environment Improving ↑	Risk Environment Stable ↔	Risk Environment Worsening ↓
Risk	**Relevance to Strategy**	**Mitigation**	**Commentary**
11. Funding, market and counterparty The risk of insufficient availability of funding, unfavourable pricing, a breach of debt facility covenants, or that performance is significantly impacted by interest rate or currency movements, or failure of a banking counterparty. **Objective** We aim to maintain a robust funding position, and to limit the impact of interest rate and currency movements and exposure to financial counterparties.	Funding at appropriate cost and on appropriate terms, and management of financial market risk, is necessary for the future growth of the business. **Likelihood** Board-approved policies require us to maintain a resilient funding position with good headroom on undrawn bank facilities, appropriate hedging of market risk, and appropriate limits to counterparty risk.	Adherence to Board-approved policies monitored through the Treasury Committee, finance leadership team and regular Board reporting. Funding plans presented as part of budget planning. Strong relationships maintained with debt providers.	↔ **Lead responsibility: Chief Financial Officer** Our business has a strong funding position with good headroom on undrawn bank facilities and long-term funding in place. Hedging of market risk and limits on counterparty risk in line with policies.

3. Related parties

The Group has not entered into any material transactions with related parties during the year ended 31 December 2017.

Notes to the financial information for the year ended 31 December 2017 (continued)

4. Segmental analysis

Geographical segments

	2017 **£M**	2016 £M
Revenue		
Home credit		
Northern Europe	**327.0**	330.6
Southern Europe	**177.7**	170.8
Mexico	**217.0**	186.5
Slovakia and Lithuania	**-**	10.8
	721.7	698.7
Digital	**104.1**	58.1
Revenue – continuing operations	**825.8**	756.8
Discontinued operations	**3.7**	6.6
Revenue	**829.5**	763.4
Impairment		
Home credit		
Northern Europe	**74.1**	76.2
Southern Europe	**17.0**	35.2
Mexico	**75.6**	68.0
Slovakia and Lithuania	**(8.5)**	(12.0)
	158.2	167.4
Digital	**42.9**	17.5
Impairment – continuing operations	**201.1**	184.9
Discontinued operations	**2.6**	2.6
Impairment	**203.7**	187.5
Profit before taxation		
Home credit		
Northern Europe	**59.8**	75.6
Southern Europe	**54.5**	40.3
Mexico	**14.7**	11.7
Slovakia and Lithuania	**3.2**	(7.4)
	132.2	120.2
Digital	**(11.7)**	(9.3)
Central costs*	**(14.9)**	(14.9)
Profit before taxation – continuing operations	**105.6**	96.0
Discontinued operations	**(2.7)**	(3.4)
Profit before taxation	**102.9**	92.6

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

Notes to the financial information for the year ended 31 December 2017 (continued)

4. Segmental analysis (continued)

	2017	2016
	£M	£M
Segment assets		
Home credit		
Northern Europe	**550.0**	494.6
Southern Europe	**272.3**	255.0
Mexico	**220.3**	223.1
Slovakia and Lithuania	**0.9**	9.6
	1,043.5	982.3
Digital	**231.9**	148.7
UK	**67.2**	72.7
Total – continuing operations	**1,342.6**	1,203.7
Discontinued operations	**-**	10.2
	1,342.6	1,213.9
Segment liabilities		
Home credit		
Northern Europe	**213.0**	196.8
Southern Europe	**119.0**	138.9
Mexico	**145.2**	170.0
Slovakia and Lithuania	**7.7**	37.8
	484.9	543.5
Digital	**157.0**	120.7
UK	**203.8**	111.6
Total – continuing operations	**845.7**	775.8
Discontinued operations	**-**	8.6
	845.7	784.4
Capital expenditure		
Home credit		
Northern Europe	**3.9**	2.1
Southern Europe	**2.8**	1.5
Mexico	**2.7**	2.9
Slovakia and Lithuania	**-**	-
	9.4	6.5
Digital	**0.6**	0.4
UK	**0.1**	1.3
Total – continuing operations	**10.1**	8.2
Discontinued operations	**-**	0.1
	10.1	8.3

Notes to the financial information for the year ended 31 December 2017 (continued)

4. Segmental analysis (continued)

	2017	2016
	£M	£M
Depreciation		
Home Credit		
Northern Europe	**3.2**	2.4
Southern Europe	**1.9**	1.7
Mexico	**2.4**	1.8
Slovakia and Lithuania	**-**	0.4
	7.5	6.3
Digital	**0.4**	0.1
UK	**2.4**	3.5
Total – continuing operations	**10.3**	9.9
Discontinued operations	**-**	0.2
	10.3	10.1

	2017	2016
	£M	£M
Expenditure on intangible assets		
Home Credit		
Northern Europe	**-**	-
Southern Europe	**-**	-
Mexico	**-**	-
Slovakia and Lithuania	**-**	-
	-	-
Digital	**5.9**	3.6
UK	**9.0**	12.2
Total – continuing operations	**14.9**	15.8
Discontinued operations	**-**	-
	14.9	15.8

	2017	2016
	£M	£M
Amortisation		
Home Credit		
Northern Europe	**-**	-
Southern Europe	**-**	-
Mexico	**-**	-
Slovakia and Lithuania	**-**	-
	-	-
Digital	**2.9**	2.2
UK	**8.5**	6.8
Total – continuing operations	**11.4**	9.0
Discontinued operations	**-**	-
	11.4	9.0

Notes to the financial information for the year ended 31 December 2017 (continued)

5. Tax expense

The pre—exceptional taxation charge for the year on statutory profit before taxation was £30.6M (2016: £24.8M) which equates to an effective rate of 29.0% (2016: 25.8%).

The exceptional tax charge of £30.0M (2016: £nil) relates to the write off of a deferred tax asset due to a change in Polish tax legislation effective from 1 January 2018. For more information see page 13.

The effective tax rate for 2018 is expected to be c.33-35%.

The Group is currently subject to a tax audit with respect to Provident Polska for the years 2008 - 2011. Audits of 2010 and 2011 are ongoing, whilst for 2008 and 2009, decisions were received in January 2017 and have been appealed. Further details are set out on page 13. The Group is also subject to audits in Mexico (regarding 2011) and Slovakia (regarding 2014-2015), all of which are still at the information gathering stage.

In late 2017 the European Commission opened a state aid investigation into the Group Financing Exemption contained in the UK controlled foreign currency rules, which was introduced in 2013. The UK authorities do not accept that the rules constitute state aid. In common with other UK-based international companies whose arrangements are in line with current controlled foreign company rules, the Group may be affected by the outcome of this investigation. The Group is monitoring developments.

6. Earnings per share

	2017 pence	2016 pence
Basic EPS – continuing operations pre-exceptional tax	**33.7**	32.2
Dilutive effect of awards	**(1.3)**	(0.9)
Diluted EPS – continuing operations pre-exceptional tax	**32.4**	31.3

	2017 pence	2016 pence
Basic EPS – continuing operations	**20.2**	32.2
Dilutive effect of awards	**(0.7)**	(0.9)
Diluted EPS – continuing operations	**19.5**	31.3

	2017 pence	2016 pence
Basic EPS – including discontinued operations	**16.5**	30.2
Dilutive effect of awards	**(0.7)**	(0.8)
Diluted EPS – including discontinued operations	**15.8**	29.4

Basic earnings per share ('EPS') from pre-exceptional continuing operations is calculated by dividing the earnings attributable to shareholders of £75.0M (31 December 2016: £71.2M) by the weighted average number of shares in issue during the period of 222.4M which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (31 December 2016: 221.2M).

Notes to the financial information for the year ended 31 December 2017 (continued)

6. Earnings per share continued

Basic earnings per share ('EPS') from continuing operations is calculated by dividing the earnings attributable to shareholders of £45.0M (31 December 2016: £71.2M) by the weighted average number of shares in issue during the period of 222.4M which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (31 December 2016: 221.2M).

Basic earnings per share ('EPS') including discontinued operations is calculated by dividing the earnings attributable to shareholders of £36.6M (31 December 2016: £66.9M) by the weighted average number of shares in issue during the period of 222.4M which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (31 December 2016: 221.2M).

For diluted EPS the weighted average number of shares has been adjusted to 231.4M (31 December 2016: 227.5M) to assume conversion of all dilutive potential ordinary share options relating to employees of the Group.

7. Dividends

Dividend per share

	2017 pence	2016 pence
Interim dividend	**4.6**	4.6
Final proposed dividend	**7.8**	7.8
Total dividend	**12.4**	12.4

Dividends paid

	2017 £M	2016 £M
Interim dividend of 4.6 pence per share (2016: interim dividend of 4.6 pence per share)	**10.2**	10.2
Final 2016 dividend of 7.8 pence per share (2016: final 2015 dividend of 7.8 pence per share)	**17.4**	17.2
Total dividends paid	**27.6**	27.4

The directors are recommending a final dividend in respect of the financial year ended 31 December 2017 of 7.8 pence per share which will amount to a full year dividend payment of £27.6M. If approved by the shareholders at the annual general meeting, this dividend will be paid on 11 May 2018 to shareholders who are on the register of members at 13 April 2018. This dividend is not reflected as a liability in the balance sheet as at 31 December 2017 as it is subject to shareholder approval.

Notes to the financial information for the year ended 31 December 2017 (continued)

8. Discontinued operations

On 28 June 2017, we announced completion of the sale of the home credit business in Bulgaria in order to focus our resources on our larger home credit and rapidly-growing digital businesses. Losses of £8.4M are included in the income statement in respect of Bulgaria for the half-year ended 30 June 2017. These costs can be analysed as follows:

	2017 **£M**	2016 £M
Revenue	**3.7**	6.6
Impairment	**(2.6)**	(2.6)
Revenue less impairment	**1.1**	4.0
Finance costs	**(0.2)**	(0.3)
Other operating costs	**(0.7)**	(1.6)
Administrative expenses	**(2.9)**	(5.5)
Trading losses	**(2.7)**	(3.4)
Write-off of assets	**(5.2)**	-
Loss before taxation	**(7.9)**	(3.4)
Taxation charge	**(0.5)**	(0.9)
Loss – discontinued operations	**(8.4)**	(4.3)

9. Goodwill

	2017 **£M**	2016 £M
Net book value at 1 January	**23.3**	20.1
Exchange adjustments	**1.1**	3.2
Net book value at 31 December	**24.4**	23.3

Goodwill is tested annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount is determined from a value in use calculation. The key assumptions used in the value in use calculation relate to the discount rates and growth rates adopted. We adopt discount rates which reflect the time value of money and the risks specific to the legacy MCB business. The cash flow forecasts are based on the most recent financial budgets approved by the Group Board for the next three years. The rate used to discount the forecast cash flows is 10% (2016: 10%). No reasonably foreseeable reduction in the assumptions would give rise to impairment, and therefore no further sensitivity analysis has been presented.

Notes to the financial information for the year ended 31 December 2017 (continued)

10. Intangible assets

	2017	2016
	£M	£M
Net book value at 1 January	**32.6**	25.6
Additions	**14.9**	15.8
Impairment	**(3.3)**	(0.7)
Amortisation	**(11.4)**	(9.0)
Exchange adjustments	**0.5**	0.9
Disposal of subsidiary	**(0.2)**	-
Net book value at 31 December	**33.1**	32.6

Intangible assets comprise computer software (£31.5M; 2016: £30.0M) and customer relationships on the acquisition of MCB Finance (£1.6M; 2016: £2.6M).

11. Property, plant and equipment

	2017	2016
	£M	£M
Net book value at 1 January	**23.4**	24.3
Exchange adjustments	**0.9**	1.7
Additions	**10.1**	8.3
Disposals	**(0.7)**	(0.8)
Depreciation	**(10.3)**	(10.1)
Disposal of subsidiary	**(0.2)**	-
Net book value at 31 December	**23.2**	23.4

As at 31 December 2017 the Group had £8.4M of capital expenditure commitments contracted with third parties that were not provided for (2016: £6.1M).

12. Deferred tax assets

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

13. Non-current tax asset

Non-current tax asset includes an amount of £37.0M in respect of the tax paid to the Polish Tax Authority, see note 21 for further details.

14. Amounts receivable from customers

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

	2017	2016
	£M	£M
Polish zloty	**393.3**	345.7
Czech crown	**83.3**	84.2
Euro	**148.4**	96.3
Hungarian forint	**162.7**	139.6
Mexican peso	**165.1**	161.2
Romanian leu	**93.4**	98.6
Bulgarian lev	**-**	7.8
Australian Dollar	**10.7**	6.5
Total receivables	**1,056.9**	939.9

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows receivable discounted at the average effective interest rate of 99% (2016: 105%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 9.1 months (2016: 7.8 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 £429.6M (2016: £437.0M).

15. Borrowing facilities and borrowings

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

	2017		2016	
	Borrowings	**Facilities**	Borrowings	Facilities
	£M	**£M**	£M	£M
Repayable:				
– in less than one year	**79.6**	**133.4**	22.4	56.8
– between one and two years	**15.2**	**68.1**	73.2	85.3
– between two and five years	**582.9**	**665.5**	527.2	633.1
	598.1	**733.6**	600.4	718.4
Total borrowings	**677.7**	**867.0**	622.8	775.2

As shown above, total undrawn facilities as at 31 December 2017 were £189.3M (2016: £152.4M).

15. Borrowing facilities and borrowings (continued)

As outlined previously, the Group's home credit company in Poland, Provident Polska, has been subject to tax audits in respect of the Company's 2008 and 2009 financial years. The 2010 and 2011 financial years are currently being audited by the tax authorities in Poland, and all subsequent years up to and including 2017 remain open to future audit. Provident Polska has appealed the decisions made by the Polish Tax Chamber, to the District Administrative Court, for the 2008 and 2009 financial years and has paid the amounts assessed of approximately £37 million (comprising tax and associated interest) which was necessary in order to make the appeals. As noted on page 13, the 2008 and 2009 tax audit decisions are the subject of a process involving the UK tax authority aimed at ensuring that the intra-group arrangement is taxed in accordance with international tax principles and as a result the court hearings have been stayed.

In order to appeal any potential future decisions for 2010 and subsequent years, further payments may be required. There are significant uncertainties in relation to the amount and timing of such cash outflows. However, in the event that audits are opened, and similar decisions are reached for each of these subsequent financial years, further amounts of up to c. £123M may be required to be funded (including approximately £44M for the 2010 and 2011 years on which audits have commenced).

16. Derivative financial instruments

At 31 December 2017 the Group had an asset of £10.4M and a liability of £4.8M (2016: £15.4M asset and £4.7M liability) in respect of foreign currency contracts and interest rate swaps. Foreign currency contracts are in place to hedge 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. Where these cash flow hedges are effective, in accordance with IFRS, movements in their fair value are taken directly to reserves.

17. Retirement benefit asset / (obligation)

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

	2017 **£M**	2016 £M
Equities	**11.7**	22.1
Bonds	**10.2**	9.6
Index-linked gilts	**8.5**	8.3
Diversified growth funds	**11.6**	-
Other	**0.2**	0.2
Total fair value of scheme assets	**42.2**	40.2
Present value of funded defined benefit obligations	**(40.1)**	(49.3)
Net asset / (obligation) recognised in the balance sheet	**2.1**	(9.1)

The charge recognised in the income statement in respect of defined benefit pension costs is £0.2M (2016: £nil).

Notes to the financial information for the year ended 31 December 2017 (continued)

18. 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 (2016: 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.

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:

	2017		2016	
	Fair value	**Carrying value**	Fair value	Carrying value
	£M	**£M**	£M	£M
Financial assets				
Amounts receivable from customers	**1,433.0**	**1,056.9**	1,206.1	939.9
	1,433.0	**1,056.9**	1,206.1	939.9
Financial liabilities				
Bonds	**567.8**	**590.0**	480.8	565.0
Bank borrowings	**87.7**	**87.7**	57.8	57.8
	655.5	**677.7**	538.6	622.8

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.

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

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

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 financial information for the year ended 31 December 2017 (continued)

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

	2017 **£M**	2016 £M
Profit after taxation from continuing operations	**45.0**	71.2
Adjusted for:		
Tax charge	**60.6**	24.8
Finance costs	**55.2**	46.8
Share-based payment (credit)/charge	**(0.2)**	3.5
Depreciation of property, plant and equipment (note 11)	**10.3**	9.9
Loss on disposal of property, plant and equipment	**-**	0.8
Amortisation of intangible assets (note 10)	**11.4**	9.0
Impairment of intangible assets (note 10)	**3.3**	0.7
Changes in operating assets and liabilities:		
Amounts receivable from customers	**(65.9)**	(41.5)
Other receivables	**2.0**	(6.6)
Trade and other payables	**20.2**	18.9
Retirement benefit obligation	**(0.9)**	(1.1)
Derivative financial instruments	**2.6**	(0.2)
Cash generated from continuing operating activities	**143.6**	136.2

20. 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 2017	**Closing 2017**	Average 2016	Closing 2016
Polish zloty	**4.8**	**4.7**	5.3	5.2
Czech crown	**30.3**	**28.4**	33.3	31.6
Euro	**1.1**	**1.1**	1.2	1.2
Hungarian forint	**351.4**	**346.9**	377.7	362.1
Mexican peso	**24.5**	**26.3**	25.6	25.6
Romanian leu	**5.2**	**5.2**	5.4	5.3
Bulgarian lev	**2.3**	**2.2**	2.4	2.3
Australian dollar	**1.7**	**1.7**	1.8	1.7

The £51.3M exchange gain (2016: gain of £65.1M) on foreign currency translations shown within the statement of comprehensive income arises on retranslation of net assets denominated in currencies other than sterling, due to the change in foreign exchange rates against sterling between December 2016 and December 2017 shown in the table above.

21. Contingent Liability Note

The Group's home credit company in Poland, Provident Polska, has been subject to tax audits in respect of the company's 2008 and 2009 financial years. During these audits the Polish tax authorities have challenged an intra-group arrangement with a UK entity, and the timing of the taxation of home collection fee revenues.

These audits culminated with decisions being received from the Polish Tax Chamber (the upper tier of the Polish tax authority) on 5 January 2017 in relation to the 2008 financial year, and on 23 January 2017 in respect of the 2009 financial year. Provident Polska has appealed these decisions to the District Administrative Court, but has had to pay the amounts assessed totalling approximately £37M (comprising tax and associated interest) in order to make the appeals. As noted on page 13, the 2008 and 2009 tax audit decisions are the subject of a process involving the UK tax authority aimed at ensuring that the intra-group arrangement is taxed in accordance with international tax principles and as a result the court hearings have been stayed.

The directors have received strong external legal advice, and note that during a previous tax audit by the same tax authority, the Company's treatment of these matters was accepted as correct. Therefore the payments of the sums outlined above are not a reflection of the directors' view on the merits of the case, and accordingly the payments made in January 2017 have been recognised as a non-current financial asset in this financial information given the uncertainties in relation to the timing of any repayment of such amounts.

The 2010 and 2011 financial years are currently being audited by the tax authorities in Poland. In the event that the Polish tax authorities were to issue decisions following the same reasoning as for 2008 and 2009 around a further £44M would become payable. In addition, all subsequent years remain open to future audit, meaning that there are further significant uncertainties in relation to the amount and timing of potential additional future payments in relation to these periods. In the event that audits are opened in respect of some or all of these open periods, and similar decisions are reached, further amounts may be required to be paid, the timing of which would be dependent upon the timing of decisions made by the Polish tax authorities for these later periods. Further details in this are set out in note 15.

22. Going concern

The Board has reviewed the budget for the year to 31 December 2018 and the forecasts for the two years to 31 December 2020 which include projected profits, cash flows, borrowings, headroom against debt facilities, and funding requirement. The Group's total debt facilities including a range of bonds and bank facilities, combined with a successful track record of accessing debt funding markets over a long period (including periods of adverse macro-economic conditions and a changing competitive and regulatory environment) is sufficient to fund business requirements for the foreseeable future. Taking these factors into account, together with regulatory and taxation risks set out in note 2 to this financial information, 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.

Notes to the financial information for the year ended 31 December 2017 (continued)

Responsibility statement

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

It is given by each of the directors as at the date of this report, namely: Dan O'Connor, Chairman; Gerard Ryan, Chief Executive Officer; Justin Lockwood, Chief Financial Officer; Tony Hales, Senior independent non-executive director; Jayne Almond, non-executive director; John Mangelaars, non-executive director; Richard Moat, non-executive director; and Cathryn Riley, non-executive director.

To the best of each director's knowledge:

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

Alternative performance measures

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

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

Alternative performance measures (continued)

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Revenue growth at constant exchange rates (%)	None	Not applicable	The period-on-period change in revenue which is calculated by retranslating the previous year's revenue at the average actual exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results.
Revenue yield (%)	None	Not applicable	Revenue yield is reported revenue divided by average net receivables and is an indicator of the gross return being generated from average net receivables.
Impairment as a percentage of revenue (%)	None	Not applicable	Impairment as a percentage of revenue is reported impairment divided by reported revenue and represents a measure of credit quality that is used across the business. This measure is reported on a rolling annual basis (annualised).
Cost-income ratio (%)	None	Not applicable	The cost-income ratio is other costs divided by reported revenue. Other costs represent all operating costs with the exception of amounts paid to agents as collecting commission. This measure is reported on a rolling annual basis (annualised). This is useful for comparing performance across markets.
Pre-exceptional profit before tax (£M)	Profit before tax	Exceptional items	Profit before tax and exceptional items. This is considered to be an important measure where exceptional items distort the operating performance of the business.
Effective tax rate before exceptional items (%)	Effective tax rate	Exceptional items and their tax impact	Total tax expense for the Group excluding exceptional tax items divided by profit before tax and exceptional items. This measure is an indicator of the ongoing tax rate for the Group.

Alternative performance measures (continued)

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Pre-exceptional earnings per share (pence)	Earnings per share	Items identified as exceptional items	Earnings per share before the impact of exceptional items. This is considered to be an important measure where exceptional items distort the operating performance of the business.
Like-for-like profit growth or contraction (£M)	None	Not applicable	The period-on-period change in profit adjusted for the impact of exchange rates and, where appropriate, investment in new business development opportunities. The impact of exchange rates is calculated by retranslating the previous period's profit at the current year's average exchange rate. This measure is presented as a means of reporting like-for-like profit movements.
Balance sheet and returns measures			
Return on assets ('ROA') (%)	None	Not applicable	Calculated as profit before interest and exceptional items less tax at the effective tax rate before exceptional items divided by average net receivables. We believe that ROA is a good measure of the financial performance of our businesses, showing the ongoing return on the total equity and debt capital invested in average net receivables of our operating segments and the Group.
Return on equity ('ROE') (%)	None	Not applicable	Calculated as profit after tax (adjusted for exceptional items) divided by average opening and closing equity. It is used as a measure of overall shareholder returns adjusted for exceptional items.
Equity to receivables ratio (%)	None	Not applicable	Total equity divided by amounts receivable from customers. This is a measure of balance sheet strength and the Group targets a ratio of around 40%.
Headroom (£M)	Undrawn external bank facilities	None	Headroom is an alternative term for undrawn external bank facilities.

Alternative performance measures (continued)

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Other measures			
Customers	None	Not applicable	Customers that are being served by our agents or through our money transfer product in the home credit business and customers that are not in default in our digital business.
Customer retention (%)	None	Not applicable	The proportion of customers that are retained for their third or subsequent loan. Our ability to retain customers is central to achieving our strategy and is an indicator of the quality of our customer service. We do not retain customers who have a poor payment history as it can create a continuing impairment risk and runs counter to our responsible lending commitments.
Employees and Agents	Employee information		Agents are self-employed individuals who represent the Group's subsidiaries and are engaged under civil contracts with the exception of Hungary and Romania where they are employees engaged under employment contracts due to local regulatory reasons.
Agent and employee retention (%)	None	Not applicable	This measure represents the proportion of our employees and agents that have been working for or representing the Group for more than 12 months. Experienced people help us to achieve and sustain strong customer relationships and a high quality service, both of which are central to achieving good customer retention. Good agent and employee retention also helps reduce costs of recruitment and training, enabling more investment in people development.

Constant exchange rate reconciliations

2017

£M	Ongoing home credit	IPF Digital	Ongoing Group	Lithuania and Slovakia	Central costs	Group
Customers	**2,064.2**	**226.0**	**2,290.2**	**-**	**-**	**2,290.2**
Credit issued	**1,070.7**	**230.8**	**1,301.5**	**-**	**-**	**1,301.5**
Average net receivables	**833.9**	**159.2**	**993.1**	**0.8**	**-**	**993.9**
Revenue	**721.7**	**104.1**	**825.8**	**-**	**-**	**825.8**
Impairment	**(166.7)**	**(42.9)**	**(209.6)**	**8.5**	**-**	**(201.1)**
Net revenue	**555.0**	**61.2**	**616.2**	**8.5**	**-**	**624.7**
Finance costs	**(46.8)**	**(8.4)**	**(55.2)**	**-**	**-**	**(55.2)**
Agents' commission	**(85.5)**	**-**	**(85.5)**	**(0.4)**	**-**	**(85.9)**
Other costs	**(293.7)**	**(64.5)**	**(358.2)**	**(4.9)**	**(14.9)**	**(378.0)**
Profit/(loss) before tax	**129.0**	**(11.7)**	**117.3**	**3.2**	**(14.9)**	**105.6**

2016 performance, as reported in our 2016 financial report

£M	Ongoing home credit	IPF Digital	Ongoing Group	Lithuania and Slovakia	Central costs	Group
Customers	2,284.0	194.0	2,478.0	43.0	-	2,521.0
Credit issued	991.3	150.2	1,141.5	3.5	-	1,145.0
Average net receivables	758.5	86.4	844.9	19.2	-	864.1
Revenue	687.9	58.1	746.0	10.8	-	756.8
Impairment	(179.4)	(17.5)	(196.9)	12.0	-	(184.9)
Net revenue	508.5	40.6	549.1	22.8	-	571.9
Finance costs	(41.8)	(4.0)	(45.8)	(0.9)	(0.1)	(46.8)
Agents' commission	(82.0)	-	(82.0)	(3.9)	-	(85.9)
Other costs	(257.1)	(45.9)	(303.0)	(25.4)	(14.8)	(343.2)
Profit/(loss) before tax	127.6	(9.3)	118.3	(7.4)	(14.9)	96.0

Foreign exchange movements

£M	Ongoing home credit	IPF Digital	Ongoing Group	Lithuania and Slovakia	Central costs	Group
Credit issued	72.7	10.5	83.2	0.3	-	83.5
Average net receivables	58.5	5.7	64.2	1.6	-	65.8
Revenue	51.8	4.0	55.8	1.0	-	56.8
Impairment	(13.4)	(1.4)	(14.8)	0.5	-	(14.3)
Net revenue	38.4	2.6	41.0	1.5	-	42.5
Finance costs	(3.1)	(0.2)	(3.3)	(0.2)	-	(3.5)
Agents' commission	(5.8)	-	(5.8)	(0.3)	-	(6.1)
Other costs	(16.7)	(3.4)	(20.1)	(1.5)	-	(21.6)
Profit/(loss) before tax	12.8	(1.0)	11.8	(0.5)	-	11.3

Constant exchange rate reconciliations (continued)

2016 performance, restated at 2017 average exchange rates

£M	Ongoing home credit	IPF Digital	Ongoing Group	Lithuania and Slovakia	Central costs	Group
Credit issued	1,064.0	160.7	1,224.7	3.8	-	1,228.5
Average net receivables	817.0	92.1	909.1	20.8	-	929.9
Revenue	739.7	62.1	801.8	11.8	-	813.6
Impairment	(192.8)	(18.9)	(211.7)	12.5	-	(199.2)
Net revenue	546.9	43.2	590.1	24.3	-	614.4
Finance costs	(44.9)	(4.2)	(49.1)	(1.1)	(0.1)	(50.3)
Agents' commission	(87.8)	-	(87.8)	(4.2)	-	(92.0)
Other costs	(273.8)	(49.3)	(323.1)	(26.9)	(14.8)	(364.8)

Year-on-year movement at constant exchange rates

£M	Ongoing home credit	IPF Digital	Ongoing Group	Lithuania and Slovakia	Central costs	Group
Credit issued	0.6%	43.6%	6.3%	(100.0%)	-	5.9%
Average net receivables	2.1%	72.9%	9.2%	(96.2%)	-	6.9%
Revenue	(2.4%)	67.6%	3.0%	-	-	1.5%
Impairment	13.5%	(127.0%)	1.0%	(32.0%)	-	(1.0%)
Net revenue	1.5%	41.7%	4.4%	(65.0%)	-	1.7%
Finance costs	(4.2%)	(100.0%)	12.4%	-	(100.0%)	(9.7%)
Agents' commission	2.6%	-	(2.6%)	(90.5%)	-	6.6%
Other costs	(7.3%)	(30.8%)	10.9%	(81.8%)	(0.7%)	(3.6%)

Return on assets (ROA) for ongoing home credit

ROA is calculated as profit before interest after tax divided by average receivables.

	Northern Europe	Southern Europe	Europe	Mexico	Ongoing home credit
Profit before tax (£M)	75.6	40.3	115.9	11.7	127.6
Interest (£M)	21.7	11.5	33.2	8.6	41.8
Profit before interest and tax(£M)	97.3	51.8	149.1	20.3	169.4
Taxation (£M)	(25.1)	(13.4)	(38.5)	(5.2)	(43.8)
Profit before interest after tax(£M)	72.2	38.4	110.6	15.1	125.6
Average receivables (£M)	403.3	205.5	608.8	149.7	758.5
Return on assets 2016	17.9%	18.7%	18.2%	10.1%	16.6%
Profit before tax (£M)	**59.8**	**54.5**	**114.3**	**14.7**	**129.0**
Interest (£M)	**24.4**	**12.2**	**36.6**	**10.2**	**46.8**
Profit before interest and tax (£M)	**84.2**	**66.7**	**150.9**	**24.9**	**175.8**
Taxation[1] (£M)	**(24.4)**	**(19.3)**	**(43.7)**	**(7.2)**	**(50.9)**
Profit before interest after tax (£M)	**59.8**	**47.4**	**107.2**	**17.7**	**124.9**
Average receivables (£M)	**424.0**	**237.7**	**661.7**	**172.2**	**833.9**
Return on assets 2017	**14.1%**	**19.9%**	**16.2%**	**10.3%**	**15.0%**

[1] Adjusted for exceptional tax charge

Return on assets from continuing operations

	HC Europe	HC Mexico	IPF Digital	Central costs	Slovakia and Lithuania	Group
Profit before tax (£M)	115.9	11.7	(9.3)	(14.9)	(7.4)	96.0
Interest (£M)	33.2	8.6	4.0	0.1	0.9	46.8
PBIT (£M)	149.1	20.3	(5.3)	(14.8)	(6.5)	142.8
Taxation (£M)	(38.5)	(5.2)	1.4	3.8	1.7	(36.9)
PBIAT (£M)	110.6	15.1	(3.9)	(11.0)	(4.8)	105.9
Average receivables (£M)	608.8	149.7	86.4	-	19.2	864.1
Return on assets 2016	18.2%	10.1%	(4.5%)	-	(25.1%)	12.3%
Profit before tax (£M)	**114.3**	**14.7**	**(11.7)**	**(14.9)**	**3.2**	**105.6**
Interest (£M)	**36.6**	**10.2**	**8.4**	**-**	**-**	**55.2**
PBIT (£M)	**150.9**	**24.9**	**(3.3)**	**(14.9)**	**3.2**	**160.8**
Taxation[1] (£M)	**(43.7)**	**(7.2)**	**1.0**	**4.3**	**(0.9)**	**(46.6)**
PBIAT (£M)	**107.2**	**17.7**	**(2.3)**	**(10.6)**	**2.3**	**114.2**
Average receivables (£M)	**661.7**	**172.2**	**159.2**	**-**	**0.8**	**993.9**
Return on assets 2017	**16.2%**	**10.3%**	**(1.5%)**	**-**	**284.1%**	**11.5%**

[1] Adjusted for exceptional tax charge

Return on equity (ROE)

ROE is calculated as profit after pre-exceptional tax divided by average net assets (after adding back exceptional tax charge)

	2017 £M	2015 £M	2016 £M
Equity (net assets)	**496.9**	327.2	429.5
Add back exceptional tax charge	**30.0**	-	-
Adjusted equity	**526.9**	327.2	429.5
Average adjusted equity	**478.2**		378.4
Profit after pre-exceptional tax charge	**75.0**		71.2
Return on equity	**15.7%**		18.8%

Earnings before interest, tax, depreciation and amortisation (EBITDA)

	2017 £M	2016 £M
Profit before tax from continuing operations	**105.6**	96.0
Add back:		
Interest	**55.2**	46.8
Depreciation	**10.3**	9.9
Amortisation	**11.4**	9.0
EBITDA	**182.5**	161.7

Information for shareholders

1. The shares will be marked ex-dividend on 12 April 2018.

2. The final dividend, which is subject to shareholder approval, will be paid on 11 May 2018 to shareholders on the register at the close of business on 13 April 2018. Dividend warrants/vouchers will be posted on 9 May 2018.

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 0371 664 0381. Calls cost 12 pence per minute plus your phone company's access charge, or +44 (0)20 8639 3367 (from outside the UK charged at the applicable international rate). Lines are open 8.30am to 5.30pm Monday to Friday excluding bank holidays).

4. The Annual Report and Financial Statements 2017, the notice of the annual general meeting and a proxy card will be posted on 20 March 2018 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 2018 or an email with the equivalent information.

5. The annual general meeting will be held at 10.30am on 4 May 2018 at the Company's registered office, Number Three, Leeds City Office Park, Meadow Lane, Leeds, LS11 5BD.

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 2017 in order to present the underlying performance variance.

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International Personal Finance will host a live webcast of its full-year results presentation at 08:30hrs (GMT) today – Thursday 1 March 2018, which can be accessed in the Investors section of our website at www.ipfin.co.uk. A copy of this statement can also be found on our website at www.ipfin.co.uk.

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