Delivering sustainable growth

Annual Report and Financial Statements 2010

The human face of finance

International Personal Finance

Welcome

Welcome to our 2010 Annual Report and Financial Statements. This report relates to the Parent Company and subsidiaries of International Personal Finance plc for the year ended 31 December 2010.

We are a leading international provider of home credit serving more than 2.2 million customers in emerging markets. We made good progress in 2010 and there are significant opportunities to grow further.

We are proactively changing to create a sustainable, international business where we have the people, processes and systems in place to achieve our strategic growth goals in years to come.

Once again, to demonstrate our belief that managing our responsibilities and meeting expectations of a range of stakeholders are essential for maintaining a sustainable business and enhancing future shareholder value, we have integrated material non-financial reporting alongside our financial performance. Further information on these measures can be found in the Key Performance Indicators section.

View our report online

This Annual Report and Financial Statements is available at www.ipfinannualreport.co.uk where information can be viewed and downloaded quickly and easily. You can also access more information on our corporate responsibility performance at www.ipfin.co.uk/cr. Printed copies of our 2010 Annual Report and Financial Statements are available from the Company Secretary.

The purpose of this report is to provide information to the members of the Company. The Annual Report and Financial Statements contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of the Annual Report and Financial Statements and the Company undertakes no obligation to update these forward-looking statements (other than to the extent required by legislation; and the Listing Rules and the Disclosure and Transparency Rules of the Financial Services Authority). Nothing in this Annual Report and Financial Statements should be construed as a profit forecast.

International Personal Finance plc. Company number: 6018973.

Percentage change figures for all performance measures, other than profit or loss before taxation and earnings per share, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate (CER) for 2010 in order to present the underlying performance variance. Profit before taxation in 2010 reflects continuing operations and is stated before an exceptional charge of £3.9 million (statutory profit before taxation £88.2 million).

Group highlights

Profit before tax

£92.1m*

(2009: £61.7m from continuing operations)

Earnings per share

24.57p*

(2009: 17.78p from continuing operations)

- Pre-tax profit* increased by 49.3% to £92.1 million due to good growth, lower impairment and tight cost control.
  - Good growth in customer numbers (7.5%), credit issued (5.6%), receivables (6.0%) and revenue (8.1%) with stronger growth in Q4
  - Impairment reduced by 2.3 percentage points to 27.6% of revenue (2009: 29.9%)
  - Cost-income ratio reduced by 1.2 percentage points to 40.5%.
- Strong performance in Central Europe with profit increased by £23.3 million to £99.8 million led by a strong recovery in Hungary.
- Continued progress in Mexico with profit increased from £0.3 million to £3.5 million.
- Romania delivered an excellent result with a maiden profit of £1.7 million in the face of challenging local economic conditions.
- Growth plans enabled by completion of £480 million debt refinancing.
- Earnings per share increased by 38.2%* to 24.57 pence (2009: 17.78 pence).
- Proposed final dividend increased to 3.74 pence per share, making the full year dividend 6.27 pence (2009 full year dividend: 5.70 pence).

*From continuing operations and stated before an exceptional charge of £3.9 million.

Contents

Our Group

We are a leading, international home credit business serving more than 2.2 million customers.

Our small sum, short-term, unsecured cash loans – ranging from £50 to about £1,000 – are tailored to meet the needs of our customers. They are delivered quickly and conveniently to the customer's home with affordable repayments collected weekly by a dedicated agent – typically between a six month to one year period.

Our vision and values

Our vision

We aim to be a leading provider of simple financial products and services to people of modest means. We do this by building close, long-term relationships with our customers, our people, our business partners and the communities in which we work, and by being a trusted and responsible business.

Our values

Our values govern everything we do. They support our vision and are central to delivering the business strategy. They help us provide outstanding customer service, deliver high levels of business performance and underpin our commitment to work responsibly.

We are respectful
Treating others as we would like to be treated.

We are responsible
Taking due care in all our actions and decisions.

We are straightforward
Being open and transparent in everything we do.

Our operations

We operate in six countries – Poland, the Czech Republic, Slovakia, Hungary, Mexico and Romania. We focus on emerging markets where demand for credit is rising and consumers are relatively underserved. The economic outlook in most of our markets is improving and there are good growth prospects for our business.

Key

EM Our established markets

DM Our developing markets

DM Mexico

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Kenny McPartland
Country Manager

Established	2003
Population	108 million
Number of customers	598,000
Number of employees	1,500
Number of agents	7,100
Number of branches	45
Credit issued per customer	£201
Currency	Mexican peso

EM Poland

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David Parkinson
Country Manager

Established	1997
Population	38 million
Number of customers	782,000
Number of employees	2,300
Number of agents	8,300
Number of branches	79
Credit issued per customer	£385
Currency	Polish zloty

DM Romania

Page 52

Russell Johnsen
Country Manager

Established	2006
Population	22 million
Number of customers	207,000
Number of employees	540
Number of agents	2,800
Number of branches	16
Credit issued per customer	£402
Currency	Romanian leu

EM Hungary

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Botond Szirmak
Country Manager

Established	2001
Population	10 million
Number of customers	238,000
Number of employees	720
Number of agents	2,700
Number of branches	24
Credit issued per customer	£409
Currency	Hungarian forint

EM Czech Republic and Slovakia

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Chris Wheeler
Country Manager

Czech Republic established	1997
Slovakia established	2001
Population Czech Republic	10 million
Population Slovakia	5 million
Number of customers	386,000
Number of employees	890
Number of agents	4,200
Number of branches	36
Credit issued per customer	£482
Currency Czech Republic	Czech crown
Currency Slovakia	Euro

Group statistics

Customers

2,211,000

Agents

25,100

Revenue

£608.7m

Credit issued

£764.5m

Net receivables

£566.9m

Employees

6,100*

*Excluding agents.

Key messages

Scaling the business

Despite the challenges of the global economic downturn, we have continued our commitment to investing in future growth. Through our Global Change Management Programme we are proactively improving the efficiency and effectiveness of our home credit business model and creating a platform for growth that will transform our business. We are making good progress on our journey to reshape and modernise the business as our results demonstrate.

Go to page 16 – How we do business

A robust and successful business model

We are an international provider of home credit. Our business model is well established, profitable and has proven to be robust in the face of the global recession. We have carefully managed the business and emerged successful, delivering a record profit in 2010.

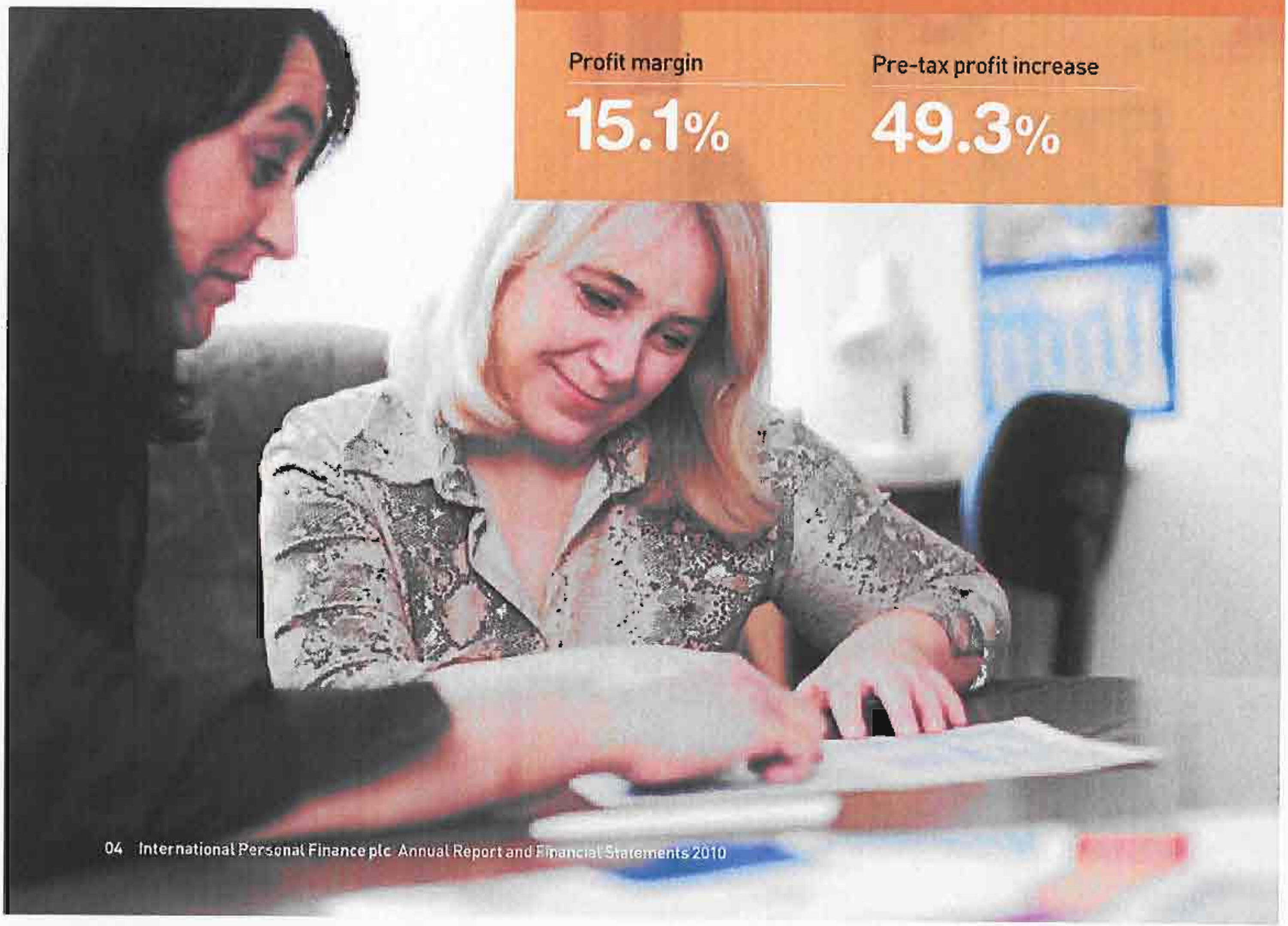
Go to page 14 – Our business model

Profit margin

15.1%

Pre-tax profit increase

49.3%



Attractive customer proposition

Customer satisfaction and loyalty are key to the long-term success of our business. Home credit is well liked by our customers. They value the personal, convenient and friendly home service provided by their agent and the fact that they can borrow a small amount of money with manageable and flexible repayments.

Go to page 20 – Home credit and the customer

Customer retention	Customers
52.7%	2.2m

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Listening to our customers

We work hard to get to know our customers, listening to their needs and developing products and services that they value. This year, we introduced our Customer Service Score which involves interviews with more than 30,000 customers every month. This provides an objective assessment of how well we are delivering our services and how we can improve delivery further. We do this because we realise that excellent customer service will increase loyalty.

We have rolled out our flexible product in all our European markets. This has been driven by our Treating Customers Fairly programme which places responsible lending at the heart of our business and provides a core framework of principles which drive decision making.

Go to page 21 – Responsible lending

Key messages

Positive impacts

We believe that growing our business will have a positive impact on society. By expanding, we will help more customers on lower incomes to be included in the financial mainstream. In emerging markets, many consumers have less access to financial services because they have no credit history. Our business model enables us to serve customers with limited access to other forms of credit in a responsible and professional way. This is positive given the economic opportunities our loans create. Our controlled expansion will also enable us to provide global career prospects to thousands of employees.

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Good growth prospects

We have a clear and consistent strategy and an established record of delivery. We have returned to growth and, looking to the future, there are significant long-term opportunities to develop our business further. We focus on emerging markets where consumer lending is relatively underserved and which offer the prospect of profitable growth.

Go to page 12 – Our strategy

Customer growth	Total population of markets
7.5%	193m

Strong financial profile

The home credit business model is capital generative and profitable. Our balance sheet continues to strengthen with equity to receivables of 54.5%, gearing at 1.0 times and borrowings reduced to £304.3 million. We have committed funding from a range of sources to support our growth plans. We employ a prudent provisioning methodology.

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Equity to receivables	Gearing
54.5%	1.0x

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Diversified funding

During 2010, we completed our refinancing programme providing diversified funding to support growth through to November 2013. In August, we issued €225 million (£193 million) of five-year bonds under the Euro Medium Term Note Programme. In October we issued 200 million zloty (£43 million) of Polish bonds. In November, we secured £198 million of three-year committed bank facilities. This funding will be used to support our business expansion strategy to grow in our existing markets and to enter new markets when the time is right.

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Chairman's statement

> We have demonstrated the resilience of our business model and the effectiveness of our risk management systems. It is testimony to the skill and hard work of our people that we remain on track to deliver the five-year business plan we established three years ago.

I am pleased to report good progress in 2010. Our results recovered strongly from the impact of the global recession and, although the global economy remains fragile, we look to the future with confidence.

The diversification of our funding through bond issuance alongside the renewal and extension of our banking facilities in 2010 was particularly satisfying, enabling us to pursue our strategic growth plan.

More than three years have passed since International Personal Finance was established as an independent company and listed on the London Stock Exchange. Since then, our business model has been tested during the worst global recession in the past 80 years and has emerged successful and intact when many financial institutions have failed. We have demonstrated the resilience of our business model and the effectiveness of our risk management systems. It is testimony to the skill and hard work of our people that we remain on track to deliver the five year business plan we established three years ago.

Whilst everyday challenges have in recent times placed heavy demands on us, we have continued to devote time and resources to planning for the future. Our ambitious top-level strategy remains unchanged: we intend to continue to improve the efficiency and effectiveness of our home credit business model, to grow rapidly in our existing markets and progressively enter and develop new markets.

We understand that increasing the size and geographic spread of the business will present new management challenges and recognise that it is essential for us to continuously improve our processes, systems and people to meet these challenges. During the past three years we have focused heavily on strengthening our financial and credit control systems, and on creating standard operating processes and procedures in all of our markets. This has provided a solid platform on which to build our expansion.

We also recognise that, as we grow, we need to adapt our business culture to allow management control and responsibility to move closer to our customers. This will permit us to respond better to local conditions and build a business which gets the very best out of our people. The introduction of business and profit planning and accountability at branch level has devolved greater responsibility for delivering sustainable profit growth to our local field managers. This forms an important foundation for this change.

It is clear that a key driver of future growth and shareholder value will be the availability of well trained and highly skilled managers. Our business model is unusual, combining credit and collection skills alongside the motivation of a large direct sales force. This means that we rely heavily on home-grown talent. In 2010 we reshaped our talent development framework to ensure we deliver the talent we need to meet our growth ambitions. Developing our leaders of tomorrow is a high priority for the senior team.

We describe our business as the 'human face of finance' because we know our customers personally and make over 100 million customer visits each year. Our success depends on dedicated employees and agents delivering first class customer service. We are proud to be awarded high satisfaction scores by our customers but we know we can do better. During this year, we have introduced customer and agent charters that make clear our service standards and we introduced monthly measures of customer satisfaction for every branch in order to better measure our performance.

The world in which we live is changing rapidly with the ability to communicate, be entertained, to shop and to undertake banking transactions increasingly being based around mobile technology. This is the environment in which customers, employees and agents expect to operate in the future, and to which we must respond. We are currently testing the deployment of handheld computers to our employees and agents in Hungary. If the pilot is a success, we envisage this will make us more efficient and improve our service to customers.

Our business model carries risks inherent in a fast growing business operating in emerging markets and effective governance and Board oversight is a crucial control. This year we have undertaken a formal evaluation of the effectiveness of the Board and Board Committees which confirmed their effectiveness. In addition, for the first time, we have made explicit our risk appetite which is published as part of the Principal risks section of this report. It guides our actions and sits within a framework where risk is formally evaluated quarterly in each market and processes to identify and manage risk operate effectively.

With regard to the Board, I am delighted that Charles Gregson has agreed to extend his term of office as a non-executive director until a date no later than the 2012 annual general meeting. This will enable the Board to benefit from another year of his insights and enable an orderly succession.

Taken overall we are working to create a sustainable business; one that will be around for the long term. This means we must build lasting relationships with our stakeholders that are based around trust and fairness. We will hold this as a core objective that will guide our actions. We believe our business has a bright future and we look forward with confidence to 2011.

Christopher Rodrigues
Non-Executive Chairman

"We are working to create a sustainable business; one that will be around for the long term. This means we must build lasting relationships with our stakeholders that are based around trust and fairness."

Overview

This year we have returned to growth, carefully managing the business through difficult times and delivering a strong performance. Despite the economic downturn, we have continued to invest in the future and we are making good progress in our journey towards creating a sustainable, global business. Our Global Change Management Programme is driving operational excellence and creating a platform for future growth.

2010 results

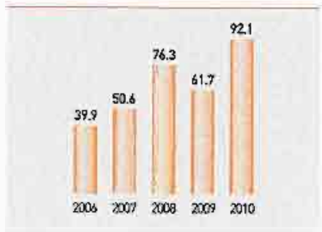
In 2010 pre-tax profit increased to a record £92.1 million, an uplift of 49.3% driven by good growth in credit issued, better credit quality and improved cost efficiency. This result is particularly pleasing because it is in line with the strategic plan which we developed in advance of IPF's stock market listing in 2007. It also demonstrates the resilience of our business model during a challenging period for the global economy.

During the year, we saw progressive improvement in economic conditions across all our markets with the exception of Romania and, whilst maintaining tight credit control, we were able to shift our focus towards growth, particularly in the final quarter of the year. All markets delivered growth in customer numbers which increased overall by 7.5% to 2.2 million. As expected, the rate of growth was strongest in our developing markets of Mexico, where customers grew by 14.1%, and Romania, where customers grew by 26.2%.

Growth in the first quarter was flattered by comparison to the heavily recession affected first quarter of 2009 and it was not until the second half of 2010 that we felt sufficiently confident in the economic outlook to push for growth. In Quarter 3 we found caution amongst agents and managers remained a key factor inhibiting growth. In Quarter 4 we tackled this with an additional £2.8 million of investment in marketing, communication and incentives. This proved successful resulting in a 9.0% increase in credit issued in the fourth quarter, providing a strong platform for further growth as we enter 2011.

What's in this section

Record full year pre-tax profit (£m)



Overall, the amount of credit issued to customers grew by 5.6% and, as a result, the value of average customer receivables grew by 6.0%. This produced an 8.1% increase in revenue to £608.7 million, reflecting the benefit of the mid-2009 increase in service charge. Improvements in credit quality and collections performance, driven by improving external conditions and our focus on these areas, caused the impairment charge to reduce as a percentage of revenue by 2.3 percentage points from 29.9% in 2009 to 27.6%. Together these factors produced an increase in net revenue of 11.9% to £440.6 million.

On funding, credit market conditions remained challenging during 2010 and so we were particularly pleased to conclude our refinancing during the year with a diversification of sources and extension of maturity of debt financing: this included two successful five-year bond issues and the agreement of new three-year committed banking facilities. This gives security of funding and allows us to progress our growth plans. However, as we had expected, our borrowing margins increased and this led to a rise in finance costs which rose faster than revenue, up by 10.4% to £33.9 million.

Market overview

We operate in the consumer credit sector of the financial services industry which includes credit cards, unsecured personal loans, retail credit, overdrafts, home credit, home shopping catalogues and pawnbroker lending. The sector has been affected severely by the recession but the outlook continues to be positive with moderate economic growth predicted in all our markets for 2011.

We focus on emerging markets where consumer lending is relatively under developed and demand for credit is rising. The global economic downturn has also resulted in reduced levels of competition.

While concerns over the global economy continued during 2010, we saw a return to economic growth across the majority of our markets. Over the course of 2010, consumer confidence levels have improved although conditions do vary by market.

Government fiscal austerity plans will be one of the biggest economic challenges particularly in Romania and Hungary. The effects are being closely monitored and, consequently, our credit controls remain prudently set.

We expect continued economic growth in our markets in 2011. As a result we aim to grow both customer numbers and credit issued at higher levels than in 2010 and we have made an encouraging start in the opening weeks of the year.

We will continue to maintain a strong focus on controlling our overall cost base, but as previously indicated there will be two material changes in 2011: funding costs will increase by approximately 2% of revenue following our successful refinancing and we will also bear higher customer rebate costs of around £15 million as a result of the EU Consumer Credit Directive.

Overall the Group is confident of further good progress.

Growth in credit issued (%)

Our strategy

Our aim is to drive shareholder value and deliver sustainable long-term profit growth by substantially expanding our business in emerging markets.

We have continued to make good progress and there are considerable long-term development opportunities for our business. Today, we serve more than 2.2 million customers in six countries and, despite the challenging economic environment, all our businesses traded profitably in 2010. We focus on delivering high levels of customer service and, as a result, more customers are taking loans with us.

Our strategy is clear and consistent. We plan to grow the business significantly by focusing on four areas:

- optimising returns from our established markets;
- realising the profit potential of our developing markets;
- entering new markets that offer the prospect of future profit growth; and
- ensuring our business model is sustainable.

Established markets

Consumer demand for home credit is high in our established markets of Poland, the Czech Republic, Slovakia and Hungary. Our strategic marketing efforts have helped build well recognised brands and levels of competition have reduced as a result of the global recession.

Developing markets

In Mexico and Romania we intend to achieve growth through expanding our geographic coverage which currently stands at 37% in Mexico and 70% in Romania. The maturing of the customer base with repeat customers taking larger loans will increase revenue further.

New markets

Our past performance demonstrates our ability to introduce home credit businesses successfully in new, emerging markets. This year we expanded into Monterrey, our third region in Mexico. Looking ahead we plan to enter further new countries, as conditions permit, to achieve our growth objectives.

Sustainable business

We have developed a programme of projects and initiatives to create a more sustainable business for the future. The Global Change Management Programme will ensure that our business model is as efficient and effective as possible, complies with all relevant legislation and regulation, and that best practice is consistently applied. Our responsible business practices will also help align the interests of customers, society and investors so sustaining shareholder value in the long term.

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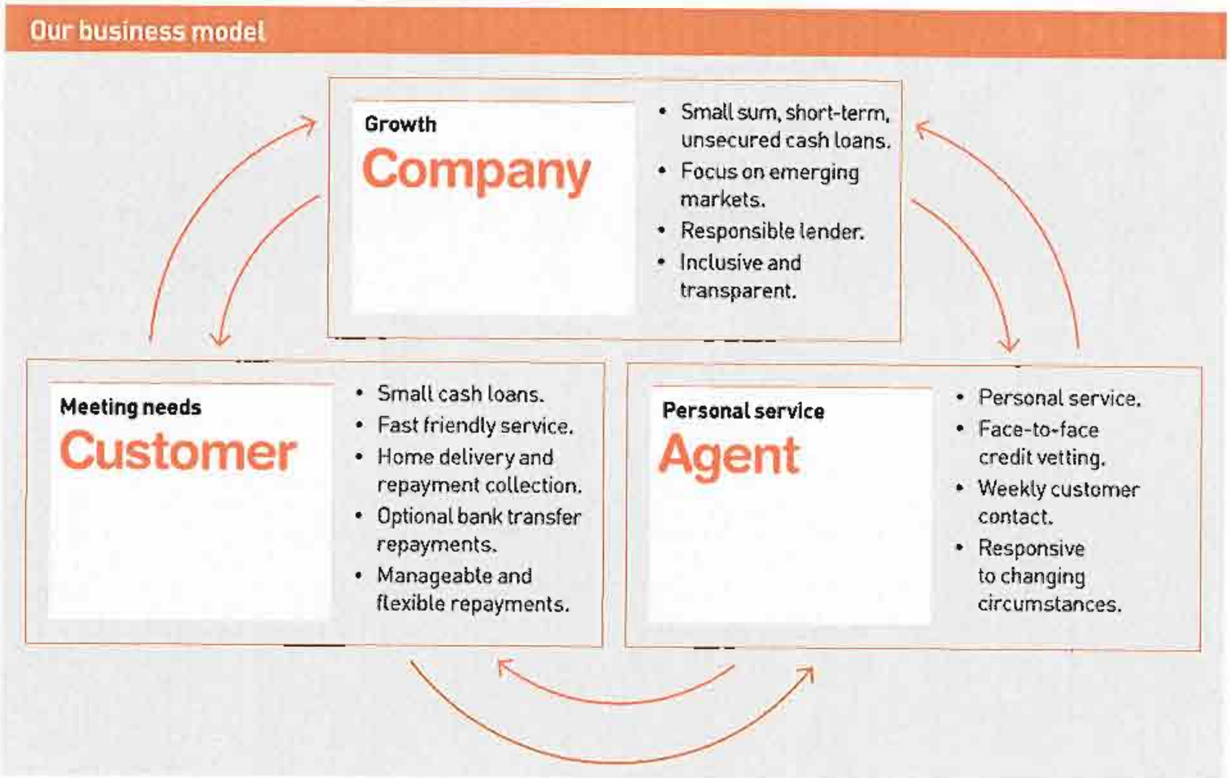
Our strategy

Our strategic goals	How we deliver them	Strategic success 2010
Optimise the profitability of our established businesses in Central Europe – Poland, the Czech Republic, Slovakia and Hungary.	• Grow customer numbers. • Increase receivables per customer to reflect rising per capita income and a maturing of the loan portfolio. • Improve cost-efficiencies as a result of scale economies and efficiency initiatives.	• Profit before tax £99.8 million – up 30.5%. • Customer numbers up 2.8% to 1,406,000.
Realise profit potential in our developing markets of Mexico and Romania.	• Expand geographic market coverage. • Grow customer numbers. • Increase receivables per customer as the loan portfolio matures.	• Mexico profit before tax up from £0.3 million to £3.5 million. • Romania maiden full year profit before tax £1.7 million up from a loss of £2.4 million in 2009. • Customer numbers up 17.0% to 805,000.
Enter new markets.	• Continually investigate new markets with good growth potential. • Undertake carefully monitored pilot operations to assess potential of new markets.	• Opened in Monterrey – our third region in Mexico.
Ensure our business model is sustainable.	• Continual improvement through our change programme. • Planned and consistent customer-led processes and procedures. • Invest in our people through training and development. • Deliver technological advancements. • Invest in our brand to strengthen further our reputation. • Treating Customers Fairly.	• Compliance rates on operational processes, 95% (July to December 2010). • Pilot of handheld agent technology launched in Hungary. • Talent management framework implemented. • Customer Service Scorecard introduced, interviewing 30,000 customers every month.

Priorities for 2011

As part of our plans for the future, we will continue our journey of growing and improving our business. We will continue to research new markets in 2011 and plan to evaluate the use of handheld technology which has the potential to transform our business.

Our business model



Our home credit model is a long-established, resilient and profitable business model that has been operating for 130 years. It has proved adaptable to the changing economic environment and, despite the difficulties brought about by the global economic downturn, we have delivered a record profit in 2010.

There are two core elements to our home credit product – a small sum, short-term unsecured cash loan and a home collection service provided by dedicated agents.

We operate in emerging markets where demand for credit is growing and markets are relatively underserved. Our customers have average or slightly below average incomes and want to borrow relatively small sums of cash, quickly and in a manageable and transparent way. Most loans are between £200 and £500 and repayable between 6 and 12 month terms. On average, we lent £358 to each of our customers in 2010.

High level of personal service

We take a distinctive personal approach to lending and our agents are the linchpin of the home credit business model. Credit vetting and, where the home service is provided, the provision of the loan and collection of weekly repayments are all performed in the convenience of the customer's home by a dedicated agent. Typically we can deliver a loan within 48 hours from first contact.

Being closer to our customers means we provide a high level of personal service compared to remote lenders and can be responsive to changes in our customers' circumstances.

Responsible lending

It is not in our interest to lend more than a customer can afford to repay. We employ a 'low and grow' approach to manage loan size and credit risk. This also supports our guiding principle of responsible lending. Typically, new customers who pass our credit criteria receive smaller loans repayable over shorter terms than established customers. This enables us to monitor closely their repayment behaviour. Only when a customer has proven their willingness and ability to repay a smaller loan, will longer, larger loans be allowed by our credit scoring system.

Transparent and flexible

Our charges are easy to understand and set out clearly for customers to see.

Historically our home credit product has been structured to give a single, fixed charge for the loan including all interest, fees and service costs. In recent years a new structure, known as the 'flexible' product, has been introduced in most of our markets and this gives customers greater visibility of the cost of their loan by showing all the elements of the product cost separately.

The flexible product gives customers the option to repay the loan using our home collection service or by money transfer to a bank account. The majority of our customers choose to take the home collection service as they value its convenience and simplicity.

Typically, customers who use the home collection service are not charged any default interest or fees as a result of late payments. If they experience financial difficulties, they can take comfort in the fact that the amount they owe does not increase as a result of missed payments and they have the flexibility to miss occasionally or make reduced repayments at no extra cost.

> “There are two core elements to our home credit product – a small sum, short-term, unsecured cash loan and a home collection service provided by dedicated agents.”

How we do business

Creating a sustainable international business

In 2010 we have demonstrated once again the resilience of our business model and the strength of our management. We recognise, however, that in a rapidly changing external environment success needs to be sustainable.

Creating a more effective business will enable more rapid growth in existing markets and faster expansion into new ones. Our forward looking approach will position management decision-making and responsibility closer to the customer and longer-term operational targets will be tailored to the local market.

Global Change Management Programme

Our Global Change Management Programme will reshape and modernise the business. This programme, which consists of five key workstreams, is designed to allow us to better serve customer needs, to coach and support agents more effectively, to better develop and reward our employees and to improve returns to our shareholders.

Strategy – Behavioural change and organisation design.

We recognise that for any programme that changes systems, processes and technology to succeed there is a need to change the way an organisation is set up and, more importantly, how it is managed. In particular we aim to develop a stronger culture of empowerment and personal responsibility at all levels of the business. We have established a programme to deliver these changes across the Group starting at senior manager level.

Customer – Delivering excellent products and customer service.

Our business has always prided itself on delivering outstanding customer service. We do, however, realise that our customers' expectations are rising and we need to respond by listening to them more and continually improving our delivery. We call 30,000 customers every month and ask them to score our performance across ten metrics. This provides us with an objective and insightful view of how we are performing. To ensure it is embedded in our operations our Customer Service Score is being integrated into our branch performance measurement framework in 2011.

In addition, we continue to review and refine our product portfolio. In particular we have extended our flexible product strategy which gives our customers greater choice and transparency by enabling them to choose whether they wish to repay their loan through the banking system or through our home collection service. This model was initially developed in response to rate cap legislation in Poland but, as we believe it is a better product for our customers, we took the strategic decision to roll it out into our other markets. In 2010 we introduced flexible products to Romania and the Czech Republic, completing the roll-out across all our European markets.

Performance – Improving measurement and targeting.

As the business changes so does the need to enhance the way we assess past performance and optimise future delivery. We have already introduced a formal branch performance management process and are now developing improved measures through a performance scorecard that will be piloted in 2011. This

> “Our Global Change Management Programme will reshape and modernise the business. This programme is designed to allow us to better serve customer needs, to coach and support agents more effectively, to better develop and reward our employees and to improve returns to our shareholders.”

scorecard is intended to deliver sustainable growth through longer-term goal setting and a balanced reward framework. Alongside this we are upgrading our data platforms to provide faster, and more consistent and accurate data.

Technology – Bringing new technology to bear on our field operations.

To enhance service delivery and reduce costs across the business we are running a pilot using handheld devices for employees and agents in Hungary. If successful this will provide substantial efficiency improvements but, more importantly, will enable us to provide a faster, more effective service delivery to our customers. It is anticipated that this pilot will run through 2011 before a decision is taken whether or not to roll-out the technology across the Group.

People Roadmap – Creating sustainable foundations for our workforce.

Our people are vital to the success and future growth of our business. As part of our Global Change Management Programme we have defined a People Roadmap that is incorporated within the Group HR strategy. The People Roadmap was established to ensure the creation of sustainable foundations for the recruitment, training, management, development, reward, motivation and engagement of our workforce.

We believe that the interests of our business and employees are best served if we ensure that we have the right people, equipped with the right tools, knowledge, skills and experience to do the job that we ask of them, operating in an environment that recognises and rewards high performance and encourages retention.

To do this we need to make sure that:

- we recruit the right people with a clear set of expectations at every level;
- their induction enables them to understand the requirements of their role and the way the business operates;
- they are proactively performance managed against the expectations of their role and to a clear set of balanced objectives, and given appropriate support and development to continuously improve within their role;

Successful manager behaviours

We have defined what we believe are the behaviours that mark out a successful, customer focused manager in our business. These are being embedded through our assessment and reward structures.

> "Our people are vital to our success and future growth of the business."

How we do business continued

- potential is recognised consistently throughout the business and that support and development is available, in accordance with the needs of the business, to all those with the aspiration and capability to progress regardless of level or function and irrespective of race, age and gender; and
- our total reward system supports the attraction, engagement and retention of capable people and drives the right business outcomes and behaviours.

We are committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of race, age, gender, colour, disability or marital status. We give full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If employees become disabled we continue employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

We systematically provide employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the business plays a major role in building engagement.

Five Core Principles

Developing a sustainable and successful international culture, we need to anchor the business in a set of core principles. These core principles are embedded in our decision-making throughout the business and are central to the approach we take to working with customers, agents and employees.

Governance

We believe that setting and managing governance standards at the highest level are critical to any sustainable business success. Our aim is to ensure we operate to the highest standards of integrity and honesty at all times. This means:

- we have a well-established and effective risk management system covering operational, credit, financial and regulatory risks. We are currently undergoing a process of formally integrating an assessment of risks, and the mitigating actions we take against them, from the perspective of all our major stakeholder groups. This will allow us to make decisions in the context of our sustainable business objectives; and
- we commission independent assurance over selected non-financial Key Performance Indicators. Our voluntary decision to seek formal assurance shows our commitment to subject ourselves to scrutiny and to be transparent. We are one of the first companies to obtain assurance on our customer and agent performance and present this alongside our financial data.

“Developing a sustainable and successful international culture, we need to anchor the business in a set of core principles. These core principles are embedded in our decision-making throughout the business and are central to the approach we take to working with customers, agents and employees.”

Ethics

We recognise that there are differences in interpreting ethical standards between cultures. Despite this, we have a consistent approach and our values of being straightforward, responsible and respectful are central to everything we do. This means:

- we have an advanced Group-wide code of ethics which sets a standard across the business. We have a third-party whistleblowing service, where this is legally possible, and a zero tolerance policy on fraud and bullying; and
- we have a clear set of customer principles that we operate by and which we provide to all customers every time they take out a loan. This year we sent over two million of these charters to our customers.

Service

Excellent customer service is positioned at the heart of our business and our personal face-to-face approach is how we differentiate ourselves. Outstanding service will drive an excellent reputation which, in turn, will help us deliver a sustainable and growing business. This means:

- we survey 30,000 customers each month to measure our performance;
- our Customer Service Score is a core element of our performance indicators and, therefore, of staff remuneration; and
- loans are provided quickly to customers – normally within 48 hours of contact.

Transparency

It is crucial for a customer to be able to make an informed decision. We strive to avoid potential misinterpretation of information by ensuring our loan documentation is transparent and easy to understand, and the language is clear and comprehensible. Transparency, however, goes beyond a clear and simple loan application procedure. It has to be embedded in our culture, our decision-making and our people. This means:

- we benchmark our systems and processes against the highest standards including the Global Reporting Initiative, and FTSE4Good and Dow Jones Sustainability indices; and
- we have initiated stakeholder roundtables in all our markets and regularly invite stakeholders to meet management and see how our business operates.

Consistency

As a growing international business, we believe that management standards and key processes should be applied consistently across the business. Only through consistent application will a sustainable business be possible. This means:

- we have best practice guides ('BPG') which are in place for all business functions. They define a number of controls against each core principle that every market must meet. Each market is audited independently against these controls and at the end of 2010 we met our target to reach at least 95% compliance across all markets and functions. This means that we can be confident that the core principles are consistently well managed across the business and that key risks are mitigated.

Taken together, this is an ambitious and forceful strategy for change that will deliver sustainable growth over the long term.

“This is an ambitious and forceful strategy for change that will deliver sustainable growth over the long term.”

Home credit and the customer

We have 2.2 million customers who use home credit to manage the ups and downs of their weekly finances.

Our customers are generally between 35 and 65 years old. Across all our markets, approximately 60% are women and the households we serve have average to slightly below average incomes.

Typically, customers will be employed or have a regular secure income from self-employment or pensions. We do not lend to customers whose only source of income is unemployment benefit. We have found that our customers are looking to borrow small sums of money to meet an immediate, specific purpose and therefore do not want to borrow more than they need. Demand is highest at periods such as Christmas, for buying presents, Easter, for family celebrations, summer, for holidays, and autumn, for back-to-school expenditure.

Our typical customer is underserved by mainstream lenders, often has no credit history and may be taking a loan from a financial organisation for the first time. Those who have used credit before may have used store credit to purchase household items or would have borrowed from friends and family.

With busy home and work lives, home credit customers like the fact that they can access a cash loan typically within 48 hours from initial contact. This can be much quicker than mainstream lenders who in these emerging markets do not have the usual sources of information on which to make credit decisions, such as well-established credit bureau or bank account data.

Customers who opt for the home collection service also like the convenience of being able to arrange loans and make repayments in their own home, at a time that suits them. The agent calls at the same time every week and saves them having to travel to a bank to make payments. They also take comfort in the fact that typically the amount they owe does not increase as a result of missed payments, and they like the flexibility to miss the occasional payment without penalty.

> “Our customers are looking to borrow small sums of money to meet an immediate, specific purpose and therefore do not want to borrow more than they need.”

Responsible lending

As a home credit provider, responsible lending is imperative to us developing a successful and sustainable, international business.

Embedding Treating Customers Fairly ('TCF')

Our TCF programme is based on the Financial Services Authority's ('FSA') Treating Customers Fairly principles:

"Firms must be able to demonstrate that they are consistently delivering fair outcomes to consumers and that senior management are taking responsibility for ensuring that the firm and staff at all levels deliver the consumer outcomes relevant to their business through establishing an appropriate culture."

We chose to align voluntarily to these principles despite there being no regulatory requirement to do so and throughout 2010 we have continued the process of embedding them into our business because we recognise that the long-term success of the Group depends on putting customers first.

FSA's TCF Principle	IPF Delivery
Leadership Fair treatment of customers is central to the behaviour and values of managers. They communicate messages about the fair treatment of customers effectively and apply appropriate controls and monitoring to ensure that the fair treatment of customers is delivered by staff.	• Local TCF groups, drawing from relevant functions, act as TCF leaders in market. • TCF is audited through the best practice guide programme and governed by the Corporate Responsibility Steering Committee chaired by the Chief Executive Officer, John Harnett.
Strategy The firm has a clear vision which supports the fair treatment of customers. This is reflected within the formulation and implementation of strategic decisions (including change management programmes and outsource arrangements). The firm's risk appetite reflects customer considerations.	• A global working group, drawing from relevant business functions, sets TCF strategy. • Local boards carry out a TCF self assessment every six months.
Decision-making Decision-making at all levels reflects the fair treatment of customers. The firm uses staff, customer and other external feedback where appropriate, with timely action. The interests of customers are properly balanced against those of shareholders (and other customer groups).	• TCF considerations and impacts are fully assessed before beginning any new project. • Complaints and feedback mechanisms are in place in all markets. • Flexible products rolled out across all European markets.

> "We have continued the process of embedding Treating Customers Fairly principles into our business because we recognise that the long-term success of the Group depends on putting customers first."

Responsible lending continued

FSA's TCF Principle	IPF Delivery
Controls The firm has controls, including management information, that aim to ensure and demonstrate the fair treatment of customers. These controls are integral to the firm's risk framework.	• TCF management information is reported and reviewed every quarter. • The customer principles and charter set out how we should treat customers fairly. • TCF reporting is aggregated and regularly reported to the Head of Compliance and Risk. • We will not accept Best Practice Guide (our measure of compliance with the standard operating model) scores less than 95%.

PwC has also performed independent assurance over key non-financial metrics.

Recruitment and training Management makes positive behaviours and attitudes to the fair treatment of customers a key criterion in the selection of staff. They also make effective training and the maintenance of staff knowledge, behaviours and values core to the business. Managers use performance management to develop their staff in the fair treatment of customers, identifying and acting on poor performance and rewarding good performance.	• TCF training included in all employee and agent inductions. • Customer focus has been introduced as one of seven core competencies for all employees in every market.
Reward The firm's reward framework (including incentive schemes) throughout the business is transparent, recognises quality and supports the fair treatment of customers.	• Customer focus is one of the behavioural competencies used to assess bonus payments. • Customer service will be part of the new balanced scorecard.

TCF is a major consideration at country board level. On a six-monthly basis, local management boards make a formal assessment on how their business is performing against the customer principles. Each principle is awarded a status based on the available management information and any that fall below a set level are assigned an action plan to improve performance.

> "In connection with management's Treating Customers Fairly programme, and the reporting of progress, we have completed assurance of six Key Performance Indicators. Our work, which was undertaken in the UK and selected countries, included testing of management's processes and controls and the reported data. Our assurance report is presented on page 87 and should be read in full to understand the scope of our work and conclusions."
>
> PwC

Significantly, we also report on conformance with the customer and agent charters. We carry out internal audits against the principles in the charters at randomly selected branches in each market. This allows us to present an accurate picture of performance as well as highlighting any issues, facilitating a timely management response.

Our customer principles are the basis of good business practice because it is in our interest to raise standards of customer treatment. It is about keeping our existing customers longer, attracting more new customers and ensuring our TCF programme sends a clear signal about our commitment to responsible lending.

Providing clear and straightforward information to our customers is fundamental to responsible lending. It enables them to understand the terms of our loans and our 7-14 day cooling off period allows customers to reconsider their agreement.

Our method of recovery of outstanding debt is also conducive to responsible lending. The weekly visits made by our agents provide them with an understanding of a customer's circumstances that may result in missed repayments. We support our customers when they face temporary difficulties that prevent them from making their payments by offering solutions such as lower repayments until they overcome their difficulties.

Agents supporting TCF

Our agents are the public face of our business and they build close relationships with customers through their weekly home visits. Their knowledge and judgement of a customer's ability to repay a loan ensures we make responsible lending decisions and treat them fairly.

We have 25,100 agents, 81% of who are female and the majority are aged between 30 and 45 years old. Over 65% of our agents came to work for us through the referral of another agent and more than two-thirds have been, or still are, customers. They often live within the area where they work which means they are more likely to know new and existing customers. It also enables them to provide the best possible service and flexibility to our customers.

To ensure agents understand fully our policies and procedures that facilitate providing loans responsibly, they receive a rigorous induction process both in a classroom environment and on-the-job. As a key part of our TCF agenda they receive our Agent Charter. To date we have issued over 40,000 of these charters which outlines clearly what they can expect from us as well as what we expect from them. Agents also meet with local management every week to discuss collections and any missed or late repayments. Where a customer falls behind on repayments, agents and managers will visit the customer and agree a revised repayment plan that allows them to maintain payments and, at the same time, manage their change in circumstances, before returning to full repayments.

Agent remuneration is weighted heavily towards collecting repayment instalments and not in making sales. Bonus programmes are focused on building a base of quality customers who pay regularly and only first loans are incentivised with a sales commission.

Percentage of agents who are female

81%

Responsible lending continued

Responsible credit management

Using our powerful suite of credit management systems, income and expenditure assessments and face-to-face contact with customers, our agents are able to assess a customer's suitability to take out a loan.

Our 'low and grow' strategy means that initial loans to new customers are small in value (below £200) and repayable over a short term (usually six months). Once a customer has demonstrated their ability and commitment to repay, the loan and term values may increase.

To ensure we lend responsibly we have developed bespoke credit management systems. These systems have evolved over the past ten years but development has accelerated over the past three years. Our processes are no longer reliant solely on the agent. They are sophisticated but simple decision-making systems that have also been instrumental in helping us manage credit risk through the economic downturn. In addition, the home visits, of which we made over 100 million in 2010, allow our agents to build relationships with customers and to acquire a greater insight of customer circumstances and their ability to repay their loan.

New customers

Typically, first contact with a potential new customer is via one of our call centres or through the local agent. The call centre performs initial credit vetting and successful leads are passed to an agent to visit the customer in their home.

Agents help new customers to complete an income and expenditure assessment – verifying their income and outgoings from relevant documentation to provide the customer's net disposable income. The customer's details are entered into our application scoring system via SMS which generates a recommendation of the amount and term of any loan that might be offered or will advise the agent that no loan can be offered. For approved loans, the agent will deliver the loan in cash, typically within 48 hours.

Existing customers

For all repeat loans, agents verify basic income and outgoings information to re-establish the customer's ability to repay the loan. Agents are supported in this process by behavioural scoring systems which use demographic information together with the customer's previous payment performance.

In both instances, agents play an important role in deciding whether to offer a loan and determining the appropriate levels of credit to issue to customers. They can offer the customer less than the recommendation of the application scoring system, but not more.

"To ensure we lend responsibly we have developed bespoke credit management systems. They are sophisticated but simple decision-making systems that have also been instrumental in helping us manage credit risk through the economic downturn."

Balanced scorecard

We are currently undergoing a review of our field incentives to ensure that we are supporting the right deliverables and behaviours through our incentive schemes. In 2011 we plan to launch a balanced scorecard approach that will ensure every employee role is rewarded for excelling across each of our desired behaviours. A balanced scorecard is a well recognised and straightforward approach to aligning roles to the strategic objectives of an organisation. Our balanced scorecard will contain a broad and balanced set of measures that each role is responsible for including financial, building future value, collections and arrears, people, safety and operational excellence, and customer service.

The additional focus on customer service in every job role will help to embed the principles of TCF even further into our business. The balanced scorecard supports our long-term goal to be a sustainable business by encouraging each employee to contribute to the broad goals which underpin business performance.

Non-financial assurance

In 2010 we continued our programme of assurance of selected non-financial Key Performance Indicators with additional emphasis on customer-related performance.

The assurance work was performed in accordance with the International Standard on Assurance Engagements (ISAE 3000) – the only internationally recognised standard. The scope comprised the provision of limited assurance of:

- customer numbers;
- customer retention;
- agent numbers;
- agent retention; and
- credit exceptions.

In 2010 we added assurance of our Customer Service Score, a branch level measure that allows managers to assess progress and isolate where improvement should be focused.

Previously, we measured customer satisfaction at country level compared with the more granular branch and customer lifecycle level. The new methodology links customer service more closely to operational performance and business success.

Every month we survey around 30,000 customers across the Group. This data is available to each market and is weighted across customers in the key lifecycle stages. The Customer Service Score is calculated monthly and reported as a rolling quarterly score. The disclosure in this Annual Report and Financial Statements is for the quarter to 31 December 2010.

Looking forward to 2011 we intend to expand the scope and depth of this assurance work and will be working to identify additional performance indicators that should be assured and which will retain our leadership position in this arena.

> “The additional focus on customer service in every job role will help to embed the principles of TCF even further into our business.”

Business and society

Our focus on ensuring the sustainable success of our business means that we place great emphasis on interacting with our stakeholders to completely understand the issues that are material to them and to respond to the issues within our business.

Communication with our stakeholders allows us to identify what sustainability means for our business and how we can meet and exceed stakeholder expectations within our markets and communities. We aim to become a better and more successful business by listening and responding to those who affect, or can be affected by, the way we operate.

In 2010 we were, once again, included in the FTSE4Good Index and continued to show improvement in the qualitative assessment produced by Experts in Responsible Investment Solutions. We were not included in the Dow Jones Sustainability Index ('DJSI') due to being too small by market capitalisation but commissioned a benchmarking report against the same criteria from SAM Research. We were awarded a score of 62% against an industry average of 38%. A number of our scores in individual criterion were higher than the top scores in the financial services industry.

	IPF score	Average score in financial sector	Best score in financial sector
Total score	**62**	**38**	**73**
Brand management	88	39	84
Corporate citizenship and philanthropy	72	26	66
Talent attraction and retention	81	38	76
Stakeholder engagement	91	48	97
Environmental policy / management system	73	35	79

" In 2010, for the first time, we held local stakeholder workshops in each of our markets to support our regular engagement. Stakeholders attending these events included financial regulators, non-governmental organisations, responsible investment groups, politicians and the media. "

Stakeholder engagement

Consultation and dialogue with stakeholders is an effective way of gathering important input and ideas, anticipating and managing risk, improving decision-making, building consensus amongst diverse views, strengthening relationships and, ultimately, enhancing corporate reputation. In 2010, for the first time, we held local stakeholder workshops in each of our markets to support our regular engagement which includes an annual central workshop; memberships of business and industry associations; and one-to-one meetings. Stakeholders attending these events included financial regulators, non-governmental organisations ('NGOs'), responsible investment groups, politicians and the media.

Our local stakeholder workshops were well received in each market and participants said they were impressed by the open and frank dialogue. In some of our markets we were the first financial institution to host a workshop of this kind. Some of the key discussion topics that arose from these sessions included our role in responsible lending, our financial literacy programmes, the home credit sector and financial inclusion.

Financial education

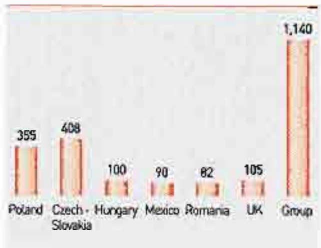
As a financial services company we have chosen to concentrate a significant portion of our community investment programme on helping to raise levels of financial literacy in the communities where we operate. We are aware that in many of our markets financial awareness is low and it is in our interest to help improve levels of financial literacy. This will facilitate understanding of our business model and attract well informed customers who understand the terms and conditions of their loan and are, therefore, more likely to be able to meet those conditions.

Each of our markets runs a financial education programme in partnership with charities or NGOs that is tailored to local needs. We try to utilise a variety of media and face-to-face workshops that help people to manage their household budget, to borrow responsibly and to prioritise spending.

In 2010 we launched a financial education campaign on www.hotnews.ro – one of the most popular websites in Romania. This was extremely successful, generating 98,200 page views on our financial literacy articles and a live web chat with our team attracted 50 questions and 288 comments.

Our partnership with Impulsa in Mexico has enabled us to deliver financial education workshops to over 4,000 students and young entrepreneurs in 2010.

Community investment by market (£'000)



Business and society continued

Investing in social issues

All our markets have community investment programmes which focus on benefiting the communities where we operate. They are also instrumental in engagement with a number of our stakeholders. To engage our people and promote a cohesive company culture, we launched a Group-wide newsletter in 2010 which reports on business achievements, corporate responsibility activities and community investment. Where possible we help to fund employee initiated projects to further enhance their sense of involvement with the programme.

In 2010, our overall Group contribution to charities and community organisations was £1,139,716 (£807,198 excluding management costs) representing 1.2% of profit before tax (maintained at 1.2% from 2009 despite a substantially higher profit in 2010). A further £2,045,476 was leveraged through, for example, payroll giving and fundraising.

Social inclusion / charities

We invest in our communities through social inclusion and financial literacy programmes. This includes grant giving to projects which offer training and skills development to disadvantaged people who are looking for work; financial literacy or money advice initiatives; and projects that help to regenerate our communities through enterprise.

Our employee volunteering programme is an important way for us to contribute to our communities. It also engages employees by giving them the chance to enhance their job related skills whilst gaining the satisfaction of helping in their local area. We seek to invest in the same type of projects that we do through our grant giving but also allow the flexibility of supporting projects that have been initiated by employees. In 2010, 2,313 employees volunteered 8,543 working hours to help local communities.

Public policy

Due to the nature of our business model we have an insight into the impact that certain government policy proposals, particularly those related to responsible lending, financial inclusion and financial education, may have on our customer base. As a responsible corporate citizen we utilise this knowledge and take a proactive position to engage with European Commission officials, Members of the European Parliament and think tanks at an EU and market level.

We are actively involved in the thought development process on financial inclusion, which is high on the European agenda, through attendance at workshops and meetings with Ministers of the European Parliament. We submitted a response to the consultation issued by the European Commission on access to a basic payment account in October 2010.

“We are actively involved in the thought development process on financial inclusion, which is high on the European agenda, through attendance at workshops and meetings with Ministers of the European Parliament.”

During 2010 we met with consultants appointed by the European Commission to carry out research for a study into the effect of interest rate restrictions and put ourselves forward as a case study for inclusion in the report. We also participated in a roundtable discussion on interest rate restrictions organised by the specialised consumer credit industry trade body, Eurofinas, to offer our perspective based on experience in our markets.

We will continue to work with policy makers and legislators to ensure that the full impacts of the different forms of rate caps and wider consequences on the financial markets are understood.

Environment

Due to the nature of our business our direct environmental impact is relatively low compared to other large companies. However we acknowledge that where possible, we have a responsibility to minimise our environmental impact in our day-to-day use of transport, energy and natural resources. We also choose to use our influence to encourage our stakeholders, particularly employees and suppliers, to minimise their own environmental impact.

We have established a robust Environmental Management System ('EMS') across the business which has been designed to meet the international ISO 14001 standard. The EMS has a regularly reviewed environmental policy and all businesses set annual environmental targets which they monitor on a regular basis through environmental working groups. We are audited against ISO 14001 and in 2010 all of our businesses met the standard for the second consecutive year.

We recognise that climate change is a significant global issue. We are exposed to physical risks such as unpredictable weather events that could result in direct damage to property and disruption to our day-to-day business. Due to the nature of our business model, severe weather can affect our customers' ability to repay loans and may result in a higher rate of write-off costs. Our process for identifying and managing such risks forms part of our wider risk management framework.

In 2010, our carbon footprint was 4.17 tonnes / CO_2 per employee, a 2.7% increase compared to 2009 levels. The vast majority of this increase was due to a rise in business air travel undertaken to support our developing operations in Mexico and Romania as they grow and our senior management conference held in Mexico in November 2010. More details of our environmental 2010 performance are available on our website at www.ipfin.co.uk/cr.

Principal risks

Risk is inherent in all business activities. The role of management is to determine the organisation's appetite for risk and to construct strategies and controls to ensure that they manage risk within that appetite and to mitigate risks as effectively as possible.

The nature of our business activities and the sector and geographies in which we operate are key determinants of risk: we are a consumer lending business and therefore carry credit risk in our lending and collection activities. Since we lend to higher risk customers on lower incomes, it is inevitable that we carry a higher regulatory and reputational risk than some other consumer lending businesses. In addition, the business model operates through a large distribution network of employees and agents which brings increased levels of risk in respect of people management and safety. Additionally, as an international business focused on emerging markets we are subject to the economic and currency risks that are inherent in operating across multiple geographies and in less well developed economies.

Strategic risk	Risk appetite statement	Mitigation
Growth Our aim is to deliver value to shareholders through rapid, sustainable growth. There is a risk that we fail to deliver targeted levels of growth or that we grow too rapidly, creating unacceptably high levels of credit, operational or funding risk.	We will optimise sustainable growth in shareholder value without breaching our stated levels of credit, operating and funding risks.	We comply with the following areas to ensure this risk is kept within appetite: • credit risk; • operating risk; and • funding risk.
Concentration risk We have a competitive advantage in the provision of home credit and, accordingly, our strategy is to concentrate on expansion through this single product. This concentration increases exposure to adverse regulatory or competitive threats.	We accept the heightened risk of a single product strategy because of the superior returns this affords.	We periodically review options to enhance the customer offering through the provision of other products and services which may appeal to our customers and are complementary to our home credit offer.

Strategic risk	Risk appetite statement	Mitigation
Economic risk The condition of the economies in which we operate and the implications of this for our customers will have an impact on our business performance. Customers' ability to repay loans will be affected by events, such as unemployment or under-employment which impact household incomes. Reduced demand, reduced revenue and increased impairment may result.	We accept the risk that economic conditions in the markets in which we operate may change and this will impact our performance.	We have a resilient business model because our loan book is short term; on average just five months repayments are outstanding, which means we can quickly change the risk-return profile of our lending. In addition, our credit management and impairment systems, together with close customer relationships, allow us to detect and respond rapidly to changes in customer circumstances and payment performance.
Reputation / Regulation risk We operate in emerging markets in which the legal and regulatory regimes can be subject to rapid and significant change. This presents a potential risk to the operation of the business, potentially resulting in reductions in profit, fines or the withdrawal of operating licences. Specific risks include: • changes to the regulation of credit or the sale of credit by intermediaries or other laws that may impact the operation of the business and / or result in higher costs; and • controls on the level or structure of charges for interest, agent service or other services that may impact the operation of the business or its level of profit. In addition, our reputation may be adversely affected by ill-informed comment or malpractice which in turn may damage our brand and reduce customer demand.	We will always aim to comply with all relevant regulations but accept that the regulatory environment within which we operate is beyond our direct control and that changes in regulation may have a material impact on the business and its profitability. It is possible that regulation of consumer lending could lead to the removal of a licence to trade in one or more markets.	We actively operate Treating Customers Fairly principles in all markets to protect our brand and reputation. We operate a legal and regulatory governance regime which monitors compliance with all relevant regulations and escalates to the Board, for action, any areas of concern. We foster open relationships with regulatory bodies and monitor closely developments in all our markets, and in respect of the EU as a whole. We have well established and experienced corporate affairs teams in all our markets. We work proactively with opinion formers to ensure the business is well understood. This is facilitated by membership of the British Chamber of Commerce and / or relevant local trade bodies, and Eurofinas in Brussels. We have an international legal committee to oversee legal risks across the Group. We have an effective corporate responsibility programme in place. We have clear operating guidelines and policies to ensure consistency and compliance with our values. We pursue an active communications programme that aims to foster a good understanding of the Company.

Principal risks continued

Strategic risk	Risk appetite statement	Mitigation
Competition risk Increased competition may reduce our market share, leading to increased costs of customer acquisition and retention and reduced credit issued, lower revenue and lower profitability.	We accept the risk that increased competition may reduce our market share. In new markets we conduct detailed research to identify those segments in a particular market we would look to serve, the current level of competition and the extent of our potential competitive advantage.	Our distinctive operating model and high levels of personal service engender high levels of customer satisfaction and retention. Market research is regularly undertaken to monitor satisfaction levels, identify usage of other financial products and monitor competitor activity. We look to continuously improve the service we offer to customers.
Credit risk Credit risk is intrinsic in consumer lending and represents the risk that customers fail to repay part or all of a loan as they fall due, leading to levels of impairment that are too high in relation to the charges made. There is always a trade-off between sales growth and credit risk and there is a business risk that credit controls are inappropriately positioned leading to a sub-optimal level of profitability. In setting credit controls and establishing this trade-off, we believe that an impairment level of over 30% destroys customer lifetime value as a result of higher customer turnover and, in turn, this leads to high employee and agent turnover as a result of the level of arrears work required. Conversely, we believe that an impairment level below 25% indicates that we are rejecting profitable lending opportunities that would increase lifetime value.	We will target annual Group impairment as a percentage of revenue of between 25% and 30%.	We have effective credit management systems and rules in place for evaluating and controlling the risk from lending to new and existing customers, which are managed at branch level. This is supplemented by the weekly contact between our agents and customers allowing a regular assessment of credit risk. Performance is monitored against benchmarks set for each product term and loan sequence. Our agents are incentivised primarily to collect rather than lend, thereby ensuring they focus on responsible lending. We have credit exception reporting in place to report and follow up on all loans issued outside the criteria defined within our application and behavioural scoring systems. Group and country level credit committees review credit controls at country and branch level each month allowing rapid response to the changing market conditions.

Strategic risk	Risk appetite statement	Mitigation
Funding and liquidity risk We fund our activities and growth through a combination of equity capital, retained earnings, and bank and bond debt funding. There is a risk that sufficient funding may not be available to support our business plan, that there may be insufficient funding in the currencies in which we lend or that it is not available at an economic price. This is particularly relevant following the significant reduction in the general availability of bank and capital markets funding. A specific risk is that a breach of banking covenant may trigger a withdrawal of part or all of our debt facilities and, at extreme, this may lead to the going concern status of the business being called into question.	We will aim to maintain a capital structure (equity and debt) that provides, under a stressed scenario, sufficient committed funding facilities to cover forecast borrowings plus operational headroom for the next 18 months on a rolling basis, and ensures there is no reasonable likelihood of a covenant breach or rating downgrade.	The business is well capitalised with equity to receivables of 55%. At 31 December 2010 there was headroom of £175.3 million on £479.6 million of bonds, and syndicated and bilateral banking facilities. Our banking facilities are committed until November 2013 and bond funding matures in 2015. We have committed funding sufficient for our business plan until November 2013. A Group Treasury Governance Structure is in place to ensure that adherence to Group policies is measured, monitored and managed on a monthly basis.
Operating risk – general Our ambition is to grow rapidly and to expand our business into new, emerging markets. There is a risk that our model would not be scaleable if we were to fail to apply our business model consistently or if there was a systematic breakdown of the operating procedures, processes, systems or controls that underpin the model.	We accept that expanding our business creates additional risk of operational underperformance. We will not accept any persistent or significant variations to our standard operating model for factors other than local legal requirements. We will not accept Best Practice Guide (our measurement of compliance with the standard operating model) scores less than 95%.	We have defined our standard operating model and set this out in our Best Practice Guide, which all our markets have implemented. We only implement significant business change initiatives following a proven and approved champion / challenger business case and pilot. We ensure that new branch or interview room openings are made using staff with a minimum of six months' relevant experience. We operate a risk-based internal audit programme. We operate a Risk Management Framework designed to ensure all key risks are identified, measured, monitored and appropriately mitigated.

Principal risks continued

Strategic risk	Risk appetite statement	Mitigation
Operating risk – accuracy and appropriate reporting The integrity of our control and information systems requires that the financial position of the business is known accurately and in a timely fashion. There is a risk that we do not have systems, controls and processes which ensure this can be delivered.	We aim to design and operate performance reporting and financial control systems where there is no material risk from failures of internal systems and controls.	We will only implement significant changes to controls or processes following a proven and approved business case and pilot. We have an internal control framework and associated assurance mechanisms to ensure the on-going systems, controls and processes are operating as required. All changes to products, pricing and the accounting polices for receivables are matters reserved to the Board.
Operating risk – people (i) Safety We operate a model which involves a high degree of customer contact at the homes of our customers. In common with other groups of 'lone workers' there are risks of personal accident or assault associated with such home contact.	We will take all reasonably practicable steps to mitigate risks to all employees and agents in the operation of their duties. We will not tolerate any material breaches of relevant Health and Safety legislation.	We continually seek to improve our processes to ensure high standards of safety. Our Health and Safety Governance Structure ensures that policies and procedures are in place to foster compliance with all relevant legislation and to ensure that all reasonably practicable steps are taken to mitigate risks to all employees and agents in the operation of their duties.
(ii) Availability We operate within a sector of the market in which there are few other players of a significant size, limiting the size of the recruitment market for key staff. In addition, we are seeking high levels of growth in existing and new markets. These factors combine to present the risk of a shortage of personnel of appropriate skills and knowledge to successfully implement the Group strategy.	We will aim to have sufficient depth of personnel able to implement the strategy of the Group but will only grow the business at a rate consistent with the skills availability and experience of personnel.	We have a formal talent development programme aimed at delivering sufficient high-quality managers to meet future plans. A learning and development framework has also been implemented. We aim to have approved succession plans for all senior management positions. We aim to have a minimum of two named Country Managers and Operations Directors in waiting.

Strategic risk	Risk appetite statement	Mitigation
Operating risk – service disruption We operate a business which is highly dependent upon its IT systems and business processes in the delivery of an excellent service. There is a risk that the failure of these systems and processes may impact the overall customer experience resulting in lost business opportunities, specifically: • day-to-day operations disrupted in the event of damage to, or interruption or failure of, information, credit appraisal and communication systems; • failure to provide quality service to customers and loss of data; and • disruption of activities increasing costs or reducing potential net revenues.	We will not accept any material risk of the permanent destruction or loss of the books and records (including customer data) of the business. We will aim to manage the losses arising from the risk of disruption to business activities to be no more than 10% of the expected pre-tax profit for any year.	Robust business continuity processes, procedures and a reporting framework are in place in all markets to enable us to continue trading and to recover full functionality as soon as practicable in the event of such an occurrence. These are regularly tested and reviewed. Strategies are revised where necessary. We perform a Business Impact Assessment every two years in each of our markets. There is continuous investment in the development of IT platforms.
Business development risk – change management We aim to continuously improve our business performance. This involves change to systems, processes, reward systems and people. Through implementing change there is a risk that planned benefits are not realised or there are unintended consequences.	We accept that continuous change and improvement carries risk but only to the extent that changes are tested and evaluated on a pilot basis before deployment.	We have a test and learn approach and all significant change is subject to user acceptance testing and pilot evaluation before deployment. We have a clear strategy for the development of revisions to IT systems and operational processes. Standard project management methodology is applied across the Group.
New markets risk Our strategy includes entry into new markets that offer good, profitable growth potential. There is a risk that we choose the wrong market or enter it at the wrong time.	We accept that new market entry carries the risk of failure that cannot be fully mitigated by research and careful preparation. We will limit the impact of failure on the income statement such that the annual operating costs of new market pilots, together with the estimated cost of the closure and write down of all new market pilots, will be no more than 20% of annual pre-tax profit.	A report is made for Board approval in respect of all potential new countries based on our new market entry criteria. We assess the potential to enter a new country in accordance with our seven entry tests. Progression from a pilot to a roll-out phase will only be authorised by the Board following a period of a successful pilot and formal review.

Principal risks continued

Strategic risk	Risk appetite statement	Mitigation
Currency and matching risk We operate in markets which use different currencies from that in which we report our results, presenting a foreign exchange risk.	All our earnings are denominated in foreign currency. We fully accept the risk that over the long term the translated value of these earnings may rise or fall and so change the reported value of the future prospects of the business and its market capitalisation. The majority of net assets underpinning the nominal value of our equity are denominated in foreign currency. We fully accept the risk that the translated value of these may rise or fall leading to changes in the nominal value of our equity. We will not accept any material portion of our receivables book to be debt funded in any currency other than the local currency without full hedging in place. We will not enter into any speculative derivative contracts.	In the short term, we manage the risk that changes in exchange rates could have a material impact on market expectations by hedging at least two-thirds of forecast profits within each current financial year. We have a Group Treasury Governance Structure in place to ensure that adherence to Group policies is measured, monitored and managed on a monthly basis. No loans are issued in a currency other than the functional currency of the relevant market. Funds are borrowed in, or swapped into, the same local currencies as net customer receivables so far as possible.
Typically, the service charge on our lending is fixed at the time a loan is granted and there is a risk that during the life of a loan the costs of providing and managing it increase and, therefore, impact profit margins.	We fix interest costs so that the cost is matched with the revenue generated on the related receivables book.	We will hedge at least 75% of known interest costs on borrowings in each currency to be incurred in the next 12 months.

Strategic risk	Risk appetite statement	Mitigation
Tax risk We operate in emerging markets in which the taxation regimes can be subject to significant and rapid change. This presents the risk that the taxation charge in the Financial Statements does not reflect the ultimate tax cost incurred by the Group.	We aim to comply with all relevant tax regulations. Nonetheless, we accept the risk that the position taken by the Group in relation to the taxation treatment of certain transactions may be subject to a challenge and that a decision against the Group may materially impact the taxation charge in the accounts in any one year. However, we will aim to carry sufficient provisions to reflect the reasonable probability of any adverse outcomes and, additionally, to provide comfort that such adverse outcomes would not trigger a breach of bank covenants.	A tax committee is in place to monitor tax risks across the Group. External professional advice for all material transactions is taken and supported by strong internal tax experts both in-country and in the UK. Where possible, tax treatments are agreed in advance with relevant authorities. We maintain a tax provision reflecting the expected risk-weighted impact of significant open or disputed tax items. Tax risks are reviewed every six months by the Group's auditors and the Audit and Risk Committee. We do not recognise a deferred tax asset for start-up losses on a pilot operation unless and until the pilot moves to the roll-out phase. A stress test analysis is performed to ensure that any potential tax risks, for which there is no provision, will not result in a covenant breach.
Counterparty Failure – Banks We have cash balances in the accounts of banks in all of our countries of operation, to ensure sufficient cash availability to fund the short-term operation of the business. This presents a counterparty risk in terms of the institutions used.	We will implement policies aimed at avoiding exposure to any counterparty where the failure of that counterparty would impact pre-tax profit by 10% or more.	We have a Group Treasury Governance Structure in place to ensure that adherence to Group policies is measured, monitored and managed on a monthly basis. Cash is generally held with A2 or higher rated financial institutions. Institutions with lower credit ratings can only be used with full Board approval.
Counterparty Failure – Other We enter into arrangements with organisations over a medium term to provide services for certain core elements of the business, presenting a counterparty risk in terms of the failure of the organisation used. There is the risk that business failure of a counterparty, such as an IT services provider could cause significant disruption or impact on our ability to operate.	We will implement procedures aimed at preventing us from entering into any long-term or material contract where the failure of the counterparty would impact the income statement by 10% or more of annual profits, unless there is no reasonable alternative.	There are regular risk assessments of other key counterparties. We ensure there is Board approval of material medium-term contracts.

Key Performance Indicators

We measure our progress through a range of Key Performance Indicators. They are aligned closely to our strategy and critical to us delivering long-term growth. In addition to the scope of the financial audit, the following Key Performance Indicators, marked▲, have been externally assured to provide stakeholders with greater insight into our performance.

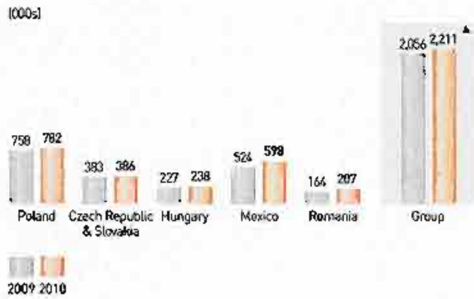
Financial

Customer numbers

The total number of customers across the Group. At the end of 2010 we had 2.2 million customers, an increase of 7.5% on 2009.

Strategic link

- Customer numbers demonstrate our scale and reach in our individual markets. Growth in our customer base is critically important but not at any price. We will reject potential new customers and not seek to retain customers who contravene our credit policies or have a poor repayment record.

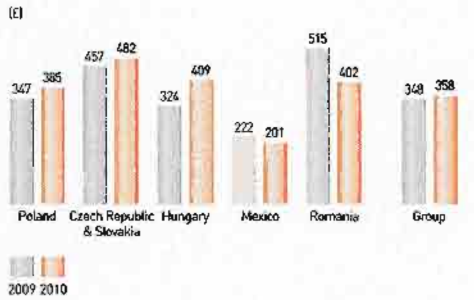


Credit issued per customer

The value of money loaned to customers normally measured over the previous 12 months. In 2010, credit issued per customer was £358, an increase of 2.9% on 2009.

Strategic link

- The main driver of profit per customer is the amount of credit issued per customer.
- Credit issued per customer should increase over time and is driven partly by good repayment behaviour. We adopt a 'low and grow' strategy and only issue more credit to a customer once their credit worthiness is proven.

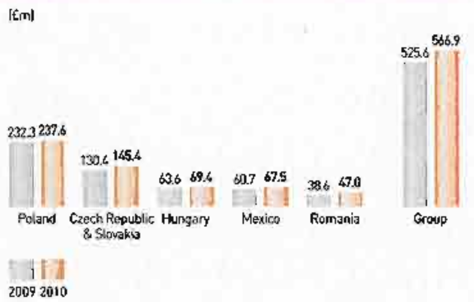


Net customer receivables

The amount outstanding from customers for loans issued less impairment provisions calculated in accordance with our IFRS compliant accounting policies. At the end of 2010 net customer receivables were £566.9 million, up 7.4% on 2009.

Strategic link

- The revenues we earn are calculated by reference to the effective interest rates of the loans we issue and the value of the net customer receivables outstanding.

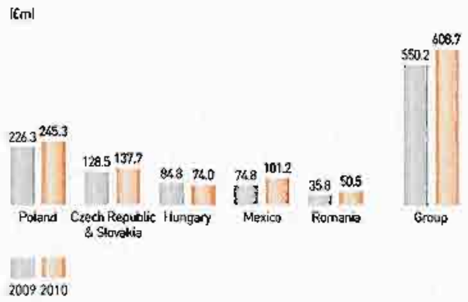


Revenue

Income generated from customer receivables. In 2010 revenue was £608.7 million, an increase of 8.1% on 2009.

Strategic link

- Most of the business costs are relatively fixed.
- As revenues increase in line with customer numbers and receivables, developing markets move into profitability and profits and margins grow rapidly.

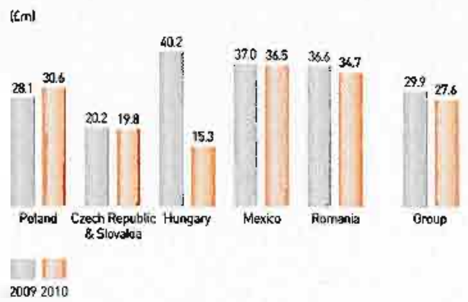


Underlying impairment

The amount charged as a cost to the income statement as a result of customers defaulting on contractual loan agreements – we account prudently and thus a default is classified as the failure to make any weekly payment in full. The cost includes the value of repayments written off as irrecoverable as well as provisions for expected future defaults. In 2010 underlying impairment reduced from 29.5% to 27.6% of revenue.

Strategic link

- Profitability is maximised by optimising the balance between growth and credit quality.
- Impairment as a percentage of revenue is a good measure for comparing performance across markets.

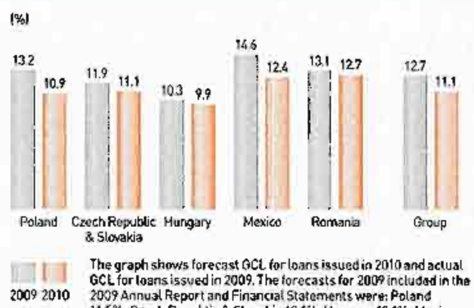


Gross cash loss ('GCL')

The expected total value of contractual customer repayments that will not be collected and will ultimately be written off for any loan or group of loans. Until collections for any cohort are complete, the GCL is a composite of actual and forecast cash collections.

Strategic link

- A leading-edge measure of the quality of credit issued. Forecasts are based on the actual performance of previous lending.
- The higher the expected GCL, the higher the impairment charge will be in the periods after the loans are issued.



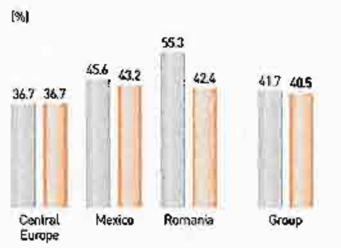
The graph shows forecast GCL for loans issued in 2010 and actual GCL for loans issued in 2009. The forecasts for 2009 included in the 2009 Annual Report and Financial Statements were: Poland 11.5%; Czech Republic & Slovakia 10.1%; Hungary 12.1%; Mexico 12.9%; Romania 13.5%; and Group 11.6%.

Expenses

The direct expenses of running the business excluding agents' commission. Expressing expenses as a percentage of revenue is useful for comparing performance across markets.

Strategic link

- The lower our expenses to revenue ratio, the more efficient we are and the more profit we make.
- Our funding costs represent 5.6% of our revenues but will rise in 2011 following the refinancing of our debt facilities.
- Commission costs represent around 11.2% of revenues.



This graph relates to direct expenses only.

Key Performance Indicators continued

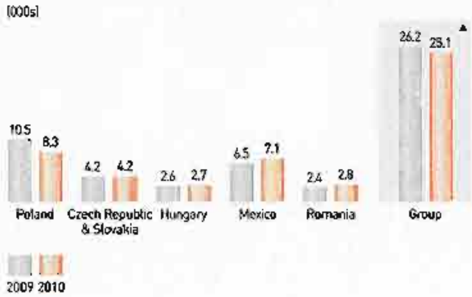
Non-financial

Agent numbers

The number of agents across the Group. At the end of 2010 we had 25,100 agents, a decrease of 4.2% on 2009. We focused on ensuring our agents were effective and productive and so in some markets, notably Poland, we reduced agent numbers.

Strategic link

- The number of agents determines directly the number of customers we can work with, more agents generally meaning more customers can be recruited and managed.
- However, it is not just quantity. We focus on identifying high performing agents and are working to select and manage the agent portfolio further on the basis of performance.



Employee and agent retention

The proportion of employees and agents who have been working with us for more than 12 months. Levels of employee retention were maintained in 2010. Agent retention improved slightly.

Strategic link

- Experienced employees and agents help us achieve and sustain strong customer relationships and a high quality of service which are central to achieving good customer retention.
- Good retention helps reduce costs of recruitment and training, and operating costs enabling more investment to be directed to development activity.

Employee retention

2009	2010
79.0%	79.0%

Agent retention

2009	2010
55.7%†	57.0%▲

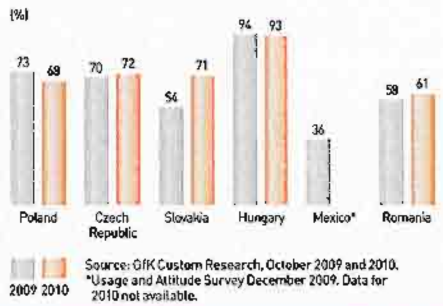
†2009 agent retention has been restated following a change in definition. We now measure retention as agents who have worked with the business for 12 months or more.

Brand awareness

The proportion of the adult population who recognise our brand.

Strategic link

- The higher the level of awareness, the higher the potential customer base becomes.
- The brand also plays a key role in attracting agents and employees.



Source: GfK Custom Research, October 2009 and 2010.
*Usage and Attitude Survey December 2009. Data for 2010 not available.

Conversion rates

The proportion of potential new customers interested in having a loan, who actually receive one. The increase in conversion rate in 2010 was due to increasing levels of confidence in our agency force and by a call centre investment programme.

2009	2010
44.0%	47.9%

Strategic link

- The recruitment of new customers is a key driver of total customers. A high conversion rate may indicate that we are recruiting too many high-risk customers. A low rate may mean that we are not providing an effective service.

Customer retention

Our ability to retain customers on an almost continuous basis over three or more loans is central to achieving our financial targets and growth ambitions. Typically the issue of a third loan to a customer represents the point when we achieve a positive net return per customer.

Strategic link

- We do not retain customers who have a poor payment history as it can create a continuing impairment risk and potentially contravenes our commitment to responsible lending.
- Retention is the key indicator of both the quality of customers as well as the quality of our customer service.

2009 **52.4%†▲** 2010 **52.7%▲**

†2009 customer retention has been restated following a change in definition. Retained customers are those on their third or subsequent loan.

Customer Service Score

The Customer Service Score is a branch level measure that enables progress to be assessed and identify where improvements should be made. The score is based on those customers who make a clear statement in their survey response that they would recommend our service to a colleague or friend.

Strategic link

- Excellent customer service drives improved and sustained revenue growth through existing customers and through them becoming customer advocates of our brand and our product.
- Service standard is a key measure of our delivery of treating customers fairly as we hear from customers directly. Demonstrable high standards are helpful in negotiations with regulators in helping to mitigate reputational risk.

2010 **36.2%▲**

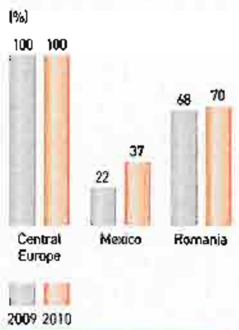
This measure was introduced in 2010 and cannot be compared against the 2009 customer satisfaction measure which utilised usage and attitude scores. This new measure is based on the Net Promoter Score (NPS). The average business has a NPS of between 5% and 10% with some businesses having negative scores.

Percentage of servable population

The proportion of the country population that we can serve through our branch network and agency force. We increased coverage in both our developing markets in Mexico and Romania in 2010.

Strategic link

- The higher the proportion of the population that can be reached the more customers who can be served.



Credit exceptions

Credit exceptions are recorded in those cases where lending has exceeded one or more credit parameters defined in the Group credit rules. Exceptions improved by 0.5% in 2010.

Strategic link

- Our credit policies set out our basis for responsible lending. They also set limits for lending activity which reflect our credit risk appetite. Reporting of exceptions shows where we have not adhered to the policies set across our markets which either reflects unacceptable practices in terms of our commitment to responsible lending or the level of exposure to potential impairment risk.

2009 **3.7%▲** 2010 **3.2%▲**

Credit Policy revisions occurring in 2010 defined three additional categories of exceptions leading to reporting of new types of exception. If compared on a like-for-like basis, there is an improvement of 1.5% in performance (2009: 3.7% and 2010: 2.2%). This change in scope took effect in mid 2010 and therefore does not represent full year reporting for the three new categories of exception.

▲These KPIs have been externally assured by PwC in accordance with the International Standard on Assurance Engagements (ISAE 3000). Management's basis of reporting can be found at www.ipfin.co.uk/cr/basisofreporting. The Independent assurance report is on page 87.

Operational review

Group

Percentage change figures for all performance measures, other than profit or loss before taxation and earnings per share, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate (CER) for 2010 in order to present the underlying performance variance. Profit before taxation in 2010 reflects continuing operations and is stated before an exceptional charge of £3.9 million.

In 2010 pre-tax profit increased to a record £92.1 million, an uplift of 49.3% driven by good growth in credit issued, better credit quality and improved cost efficiency. This result is particularly pleasing because it is in line with the strategic plan which we developed in advance of IPF's stock market listing in 2007. It also demonstrates the resilience of our business model during a challenging period for the global economy.

Profit before taxation

The Group results are set out below:

	2010 £m	2009 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**2,211**	2,056	155	7.5	7.5
Credit issued	**764.5**	710.0	54.5	7.7	5.6
Average net receivables	**522.0**	481.1	40.9	8.5	6.0
Revenue	**608.7**	550.2	58.5	10.6	8.1
Impairment	**(168.1)**	(164.3)	(3.8)	(2.3)	0.8
	440.6	385.9	54.7	14.2	11.9
Finance costs	**(33.9)**	(30.9)	(3.0)	(9.7)	(10.4)
Agents' commission	**(68.0)**	(64.0)	(4.0)	(6.3)	(4.0)
Other costs	**(246.6)**	(229.3)	(17.3)	(7.5)	(5.2)
Profit before taxation*	**92.1**	61.7	30.4	49.3	

*From continuing operations and stated before exceptional charge.

During the year we saw progressive improvement in economic conditions across all our markets with the exception of Romania and, whilst maintaining tight credit control, we were able to shift our focus towards growth, particularly in the final quarter of the year. All markets delivered growth in customer numbers which increased overall by 7.5% to 2.2 million. As expected, the rate of growth was strongest in our developing markets of Mexico, where customers grew by 14.1%, and Romania, where customers grew by 26.2%.

The profile of growth through 2010 is illustrated by the growth of credit issued split by quarter, shown in the table below:

	Q1	Q2	Q3	Q4	Full year
Growth in credit issued	10.6%	3.0%	(0.3%)	9.0%	**5.6%**

Growth in the first quarter was flattered by comparison to the heavily recession affected first quarter of 2009 and it was not until the second half of 2010 that we felt sufficiently confident in the economic outlook to push for growth. In Quarter 3 we found caution amongst agents and managers remained a key factor inhibiting growth. In Quarter 4 we tackled this with an additional £2.8 million of investment in marketing, communication and incentives. This proved successful resulting in a 9.0% increase in credit issued in the fourth quarter, providing a strong platform for further growth as we enter 2011.

Overall, the amount of credit issued to customers grew by 5.6% and, as a result, the value of customer receivables grew by 6.0%. This produced an 8.1% increase in revenue to £608.7 million, reflecting the benefit of the mid-2009 increase in service charge. Improvements in credit quality and collections performance driven by improving external conditions and our focus on these areas caused the impairment charge to reduce as a percentage of revenue by 2.3 percentage points from 29.9% in 2009 to 27.6%. Together these factors produced an increase in net revenue of 11.9% to £440.6 million.

Agents' commission costs increased by 4.0% to £68.0 million, in line with the growth of the business. Costs were managed tightly and as a result the ratio of other costs to revenue improved by 1.2 percentage points to 40.5% in 2010 despite incurring £5.3 million of incremental performance related pay and the additional £2.8 million of costs to drive growth, as noted above.

On funding, credit market conditions remained challenging during 2010 and so we were particularly pleased to conclude our refinancing in 2010 with a diversification of sources and extension of maturity of debt financing: this included two successful five-year bond issues and the agreement of new three-year committed banking facilities. This gives security of funding and allows us to progress our growth plans. However, as we had expected, our borrowing margins increased and this led to a rise in finance costs which rose faster than revenue, up by 10.4% to £33.9 million.

The quarterly profit performance compared with 2009, set out in the table below, demonstrates the good progress made through the course of 2010:

£m	Q1	Q2	Q3	Q4	**Full year**
2010	2.0	28.5	24.4	37.2	**92.1**
2009	(8.5)	17.6	18.0	34.6	**61.7**
Change (£m)	10.5	10.9	6.4	2.6	**30.4**
% Change	*123.5*	*61.9*	*35.6*	*7.5*	***49.3***

The pattern of profit increase relative to 2009 shows the impact of the strong recovery from the recession-impacted first quarter of 2009 followed by slightly lower growth in the second and third quarters. In Quarter 4 2010, the £2.8 million investment in additional marketing spend to accelerate customer and receivables growth slowed profit growth in that quarter but provides a sound platform for further and stronger receivables growth in 2011.

Operational review continued

Segmental split of results

All our markets made a positive contribution to the increase in Group profitability and, as expected, Hungary made the largest contribution. The segmental split of profit before tax by market is as follows:

Profit before taxation	2010 £m	2009 £m	Change £m	Change %
Poland	**49.0**	46.2	2.8	6.1
Czech-Slovakia	**41.7**	37.5	4.2	11.2
Hungary	**9.1**	(7.2)	16.3	226.4
Central Europe	**99.8**	76.5	23.3	30.5
UK – central costs	**(12.9)**	(12.7)	(0.2)	(1.6)
Established markets	**86.9**	63.8	23.1	36.2
Mexico	**3.5**	0.3	3.2	1,066.7
Romania	**1.7**	(2.4)	4.1	170.8
Developing markets	**5.2**	(2.1)	7.3	347.6
Profit before taxation*	**92.1**	61.7	30.4	49.3

*From continuing operations and stated before exceptional charge.

Our established Central European businesses made progress in 2010, with sales growth and lower impairment driving a 30.5% increase in pre-tax profit to £99.8 million. The strong recovery of our Hungarian business, which rapidly returned to profitability following the losses reported in 2009, was a key driver of this improvement with the businesses in Poland and Czech-Slovakia also reporting increased profits.

Poland had a difficult start to the year with unusually severe weather conditions leading to higher impairment, but thereafter performance improved as is demonstrated by growth in profits of 8.0% in the second half compared with 1.4% in the first half. We were also pleased to successfully transition the business to a growth focus in the fourth quarter which, alongside a 3.2% increase in customers across the year, created a solid platform for further growth in 2011. Taken overall, therefore, Poland made progress in 2010 and reported a 6.1% increase in pre-tax profit to £49.0 million.

The Czech-Slovakia business also made good progress in the year and reported increased profits of £41.7 million, an increase of 11.2% on the previous year. Customer numbers increased by 0.8%, although low impairment rates meant that it was able to grow credit issued at a faster rate of 4.8% and this enabled the business to grow revenue by 7.7%. Impairment remained low at 19.8% of revenue.

Hungary had an excellent year in 2010, recovering strongly from a very challenging year in 2009 during which the impact of the recession necessitated a restructuring and downsizing of the business. Pre-tax profit increased by £16.3 million, turning a prior year loss of £7.2 million into a profit of £9.1 million. Throughout the year, collections performance and credit quality in Hungary was the highest in the Group and this led to a significant reduction in impairment as a percentage of revenue to 15.3% compared with 40.2% in 2009. Strong growth was achieved, particularly in the second half, with credit issued up 21.5% year-on-year.

This encouraging performance provides a strong platform to deliver further growth in Hungary and return the business to its former scale over the medium term.

Our Mexican business continued to grow and make progress. Pre-tax profit increased from £0.3 million to £3.5 million, customer numbers grew by 14.1% to 598,000 and impairment improved to 36.5% of revenue. In addition we opened three branches in a new region, Monterrey, at a cost of £0.8 million.

Mexico represents a key market for the Group and during the year we slowed growth to allow operations employees and agents to gain more experience in order to provide a sound base for future growth. Alongside this we planned, and have recently implemented, a revised field organisation and pay structure to improve effectiveness. We remain convinced of the long-term potential of the Mexican business to grow to at least three million customers generating a total pre-tax profit of £90 million per annum.

Our Romanian business made excellent progress during 2010 and reported a maiden profit of £1.7 million. This was achieved against a difficult macro economic environment which was exacerbated by severe austerity measures implemented by the Government in July. The impact of these measures was well managed, with the business not only growing but also improving credit quality and collections. Customers now stand at 207,000, an increase of 26.2% on 2009, whilst impairment has reduced from 36.6% to 34.7% of revenue. Efficiency levels also improved significantly with the cost-income ratio reduced from 55.3% to 42.6% in 2010.

Balance sheet and funding

The Group balance sheet has continued to strengthen in 2010 and the level of equity compared with receivables has increased to 54.5% (2009: 49.4%). At 31 December 2010, the Group had net assets of £309.0 million (2009: £259.8 million) and receivables of £566.9 million (2009: £525.6 million). The average period of receivables outstanding at the year end was 5.0 months (2009: 5.1 months) with 98.6% of year end receivables due within one year (2009: 98.0%).

During 2010 we achieved our objective of securing longer-term debt funding from diversified sources and at the end of the year the Group had £479.6 million of debt facilities comprising £236.5 million of bond funding maturing in 2015, £198.3 million of committed bank facilities maturing in 2013 and £44.8 million of short-term facilities. There were no changes to financial covenants arising from the refinancing and all covenants were comfortably met in 2010.

During the year total Group borrowings reduced by £28.3 million to £304.3 million, reflecting the cash generative nature of the business model. This compares with total facilities of £479.6 million, giving headroom on facilities of £175.3 million. Gearing, calculated as borrowings divided by shareholders' equity, has reduced to 1.0 times (2009: 1.3 times).

Operational review continued

Foreign exchange

Changes in foreign exchange rates had no significant impact on the 2010 results compared with the previous year. Our policy is to hedge the translation of reported profits only within the reporting period. In January 2011 we hedged the rates used to translate the majority of forecast profits for Poland, Czech-Slovakia, Hungary, Mexico and Romania for 2011. These rates overall are similar to those used to translate the results for the 2010 financial year.

Regulation and legislation

The new EU Consumer Credit Directive (CCD) has been implemented in all our European markets except Poland, which is expected to complete implementation in Quarter 3 of 2011. The most significant features are increased transparency and consumer rights together with a harmonisation of the definition of the Annual Percentage Rate (APR). In addition, the CCD standardises the rebate accruing to a customer in the event of full or partial early settlement. As previously indicated, we expect the changes to early settlement rebates to increase the rebate expense by approximately £15 million in 2011. The Romanian Government added some additional requirements as the CCD passed into law in December 2010. These will require some modifications to our product structures and credit policies, which we are in the process of making, but we do not expect them to have a material impact on the business.

In Poland, the Office of Competition and Consumer Protection has conducted a review of practices in respect of customer early settlement rebates and has challenged the practices of a number of lenders, including IPF. We believe that the new early settlement regime to be introduced in accordance with the CCD will address their concerns and we have explained and confirmed the legality of our current practices. The next stage of the process is a further hearing which has been set for 3 March 2011.

New markets

New country entry remains a key element of our long-term strategy. At present our research is focused on the Ukraine and Bulgaria which are adjacent to our existing Central European markets and would enable us to leverage existing management teams. In both potential new markets there remain issues to resolve before we would consider entry on a pilot basis.

Operating review

Central Europe

Central Europe comprises our operations in Poland, Czech-Slovakia and Hungary. Together these markets reported a pre-tax profit of £99.8 million for 2010 compared with £76.5 million for 2009. This represents an increase in profit of £23.3 million, with £16.3 million of this arising from the improved performance of the Group's Hungarian business.

Profit before taxation	**2010 £m**	2009 £m	Change £m	Change %
Poland	**49.0**	46.2	2.8	6.1
Czech-Slovakia	**41.7**	37.5	4.2	11.2
Hungary	**9.1**	(7.2)	16.3	226.4
Central Europe	**99.8**	76.5	23.3	30.5

The performance of each of the Central European markets is covered in more detail below.

Poland

Overall Poland made progress in 2010, reporting an increase in profit of 6.1% to £49.0 million. Performance improved as the year progressed and as the impact on collections and impairment of the unusually severe weather conditions experienced in the first quarter of the year lessened. During the year management successfully transitioned the business from its focus on collections for much of quarters two and three, to growth in the fourth quarter.

	2010 £m	2009 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**782**	758	24	3.2	3.2
Credit issued	**296.4**	279.9	16.5	5.9	2.1
Average net receivables	**221.0**	215.7	5.3	2.5	(1.8)
Revenue	**245.3**	226.3	19.0	8.4	4.1
Impairment	**(75.1)**	(63.5)	(11.6)	(18.3)	(13.3)
	170.2	162.8	7.4	4.5	0.5
Finance costs	**(12.5)**	(13.9)	1.4	10.1	10.7
Agents' commission	**(24.9)**	(23.7)	(1.2)	(5.1)	(0.4)
Other costs	**(83.8)**	(79.0)	(4.8)	(6.1)	(2.1)
Profit before taxation	**49.0**	46.2	2.8	6.1	

Operational review continued

Customers increased by 3.2% to 782,000 compared to 2009 and this is an important ingredient for stronger growth as we enter 2011.

Credit issued grew by 2.1%, although growth in the fourth quarter was higher at 5%. Average net receivables fell by 1.8% year-on-year, reflecting a flat second and third quarter, but revenue was 4.1% ahead of 2009. This was due to the full year impact of the increase in service charge that was implemented in the second half of 2009.

Impairment increased by 13.3% to £75.1 million. This was in part due to the spike in impairment as a result of the severe weather conditions in the first quarter of 2010 which did not fully unwind across the year, but also weaker than expected later stage collection of loans issued in 2009. As a result the impairment charge in 2010 represented 30.6% of revenue compared to 28.1% in 2009. The credit quality of debt written in 2010 has improved and we expect the impairment charge to move down into our target zone of 25.0% of revenue in 2011.

Finance costs were £1.4 million lower than 2009 due to lower levels of borrowing partially offset by an increase in the rate of interest paid on borrowings following the refinancing in the second half of the year. Agents' commission costs increased in line with growth and the increase in other costs was limited to 2.1% despite higher performance bonus payments and marketing costs.

In 2011 we will focus on growing customer numbers towards our medium-term target of one million customers, together with improved credit quality.

Czech Republic and Slovakia

The Czech-Slovakian business delivered an increase in pre-tax profit of 11.2% to £41.7 million through a combination of growth and a slight reduction in impairment as a percentage of revenue.

	2010 £m	2009 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**386**	383	3	0.8	0.8
Credit issued	**185.4**	178.1	7.3	4.1	4.8
Average net receivables	**131.9**	118.9	13.0	10.9	11.3
Revenue	**137.7**	128.5	9.2	7.2	7.7
Impairment	**(27.3)**	(25.9)	(1.4)	(5.4)	(5.8)
	110.4	102.6	7.8	7.6	8.1
Finance costs	**(5.7)**	(5.4)	(0.3)	(5.6)	(7.5)
Agents' commission	**(14.7)**	(14.4)	(0.3)	(2.1)	(2.8)
Other costs	**(48.3)**	(45.3)	(3.0)	(6.6)	(5.9)
Profit before taxation	**41.7**	37.5	4.2	11.2	

Customer numbers increased by 0.8% year-on-year and credit issued increased by 4.8%, although the rate of growth in credit issued accelerated to 13.4% in the fourth quarter. Average net receivables grew by 11.3% whereas growth in revenue was lower at 7.7% due to the impact of higher early settlement rebates paid to customers in Slovakia following the implementation of the EU Consumer Credit Directive in July 2010.

Collections performance remained robust, which was reflected in impairment as a percentage of revenue reducing slightly to 19.8% (2009: 20.2%).

Finance costs increased by 7.5% due to the impact of higher funding costs partially offset by lower levels of borrowing. Agents' commission costs increased in line with growth at 2.8% and other costs increased by 5.9%.

The key focus for 2011 is to generate stronger customer growth. We expect this will lead to some weakening in credit quality but there is room for this as impairment as a percentage of revenue is well below our benchmark level. Overall, we are expecting Czech-Slovakia to continue to make good progress.

Hungary

Hungary has recovered strongly from the very difficult macro-economic environment that it faced in 2009, demonstrating the resilience of the business model. It reported a profit of £9.1 million in 2010 compared with a loss of £7.2 million in 2009 (including £3.0 million of restructuring costs), an improvement of £16.3 million, driven mainly by much lower levels of impairment.

	2010 £m	2009 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**238**	227	11	4.8	4.8
Credit issued	**95.1**	88.7	6.4	7.2	9.3
Average net receivables	**62.5**	69.4	(6.9)	(9.9)	(9.0)
Revenue	**74.0**	84.8	(10.8)	(12.7)	(11.9)
Impairment	**(11.3)**	(34.1)	22.8	66.9	67.3
	62.7	50.7	12.0	23.7	26.9
Finance costs	**(6.0)**	(6.5)	0.5	7.7	4.8
Agents' commission	**(12.7)**	(14.3)	1.6	11.2	9.9
Other costs	**(34.9)**	(37.1)	2.2	5.9	4.6
Profit / (loss) before taxation*	**9.1**	(7.2)	16.3	226.4	

*2009 including £3.0 million of restructuring costs.

Operational review continued

Following the restructuring and downsizing of the customer base in June 2009, the key task for 2010 was to return credit quality to target levels and to re-start growth. To support this there was a need to rebuild the confidence of agents and managers. This was successfully achieved. The management team in Hungary achieved good credit quality during the first half, creating the platform for a return to growth in the second half when credit issued grew by 21.5%. The business ended the year with 238,000 customers, an increase of 4.8%, and we aim to rebuild the customer base to its previous level of 300,000 plus over the medium term.

Average net receivables were 9.0% lower than 2009 due to the impact of the downsizing and this together with the impact of the CCD Early Settlement Rebates resulted in a 11.9% reduction in revenues. However, this was more than offset by the improvement in credit quality. Credit quality and collections performance have been excellent in 2010 with impairment as a percentage of revenue at 15.3% compared to 40.2% in 2009.

Agents' commission costs reduced in line with lower revenue. Expenses were broadly flat year-on-year, after adjusting for the £3.0 million of restructuring costs incurred in 2009, reflecting a rise in the cost of field performance incentives and bonus costs. Financing costs were £0.5 million lower than 2009 due to reduced borrowing requirements partially offset by higher funding costs.

While challenges remain, the Hungarian economy is slowly recovering and competition remains weak. We aim to achieve faster growth in customer numbers and credit issued in 2011, with impairment as a percentage of revenue likely to move up as the proportion of new customers in the loan book increases. Overall, the business is in very good shape and a sound platform has been built for further progress in 2011.

Mexico

Our Mexican business continued to grow and make progress. Pre-tax profit increased from £0.3 million to £3.5 million, customer numbers grew by 14.1% to 598,000 and impairment improved to 36.5% of revenue. In addition, we opened three branches in a new region, Monterrey, at a cost of £0.8 million.

Mexico represents a key growth market for the Group and we are keenly aware that we need to ensure that our operational processes and levels of experience form a sound foundation for the substantial future growth we plan to achieve. During the year we recognised the need to increase the level of experience of our local managers and agents. Accordingly, we slowed growth to allow operations employees and agents to gain more experience and we have recently implemented a revised field organisation and pay structure as part of our strategy for improving effectiveness.

The profit before taxation is analysed by region as follows:

	2010 £m	2009 £m	Change £m	Change %
Puebla	**5.2**	2.9	2.3	79.3
Guadalajara	**6.7**	3.9	2.8	71.8
Monterrey	**(0.8)**	–	(0.8)	(100.0)
Head office	**(7.6)**	(6.5)	(1.1)	(16.9)
Profit before taxation	**3.5**	0.3	3.2	1,066.7

The results for the year are set out below:

	2010 £m	2009 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**598**	524	74	14.1	14.1
Credit issued	**113.0**	99.2	13.8	13.9	4.9
Average net receivables	**65.1**	48.6	16.5	34.0	23.8
Revenue	**101.2**	74.8	26.4	35.3	24.9
Impairment	**(36.9)**	(27.7)	(9.2)	(33.2)	(23.0)
	64.3	47.1	17.2	36.5	26.1
Finance costs	**(5.9)**	(4.5)	(1.4)	(31.1)	(22.9)
Agents' commission	**(10.8)**	(8.2)	(2.6)	(31.7)	(21.3)
Other costs	**(44.1)**	(34.1)	(10.0)	(29.3)	(18.9)
Profit before taxation	**3.5**	0.3	3.2	1,066.7	

Operational review continued

Customers have continued to grow in Mexico, increasing by 14.1% to 598,000. The rate of growth in credit issued was lower at 4.9%, reflecting our focus on maintaining credit quality. Average net receivables were 23.8% higher year-on-year, reflecting the very strong growth towards the end of 2009. This delivered good revenue growth of 24.9%.

The impairment charge as a percentage of revenue improved to 36.5% in 2010 (2009: 37.0%). This reflected a higher impairment charge in the first quarter followed by progressive improvements throughout the rest of the year as the strengthening of management practices had a positive impact on collections and impairment levels.

Impairment as a % of revenue	Q1	Q2	Q3	Q4	Year
2010	44.3	35.9	35.5	30.7	**36.5**
2009	40.3	36.7	38.1	34.2	**37.0**

Finance costs increased by 22.9% to £5.9 million which was due to the higher cost of the Group's new funding structure. Agents' commission cost increased broadly in line with revenue. Other costs increased by 18.9% to £44.1 million in order to support the strengthening of the business and its expansion into Monterrey. The cost-income ratio improved from 45.6% to 43.6% in 2010.

During 2011, we will allow our operational changes to settle in and gain traction but expect faster growth as the year progresses. We aim to open five new branches, all in the Puebla and Guadalajara regions. We do not intend to open any further branches in Monterrey whilst we gain insight into the performance of the current three branches. Overall, during 2011 we expect our Mexico operation to improve its scalability and to further improve performance.

We remain convinced of the long-term potential of the Mexican business to grow to at least three million customers, generating a total pre-tax profit of £90 million per annum in the long term.

Romania

The business in Romania delivered a maiden profit of £1.7 million, a £4.1 million improvement from the loss of £2.4 million reported in 2009. This represents an excellent performance, particularly in light of economic conditions, which remain difficult in Romania. The austerity measures introduced by the Government in July 2010 included a 25% reduction in public sector salaries and a 5% increase in the VAT rate. The impact of these measures has been well-managed with the business both growing strongly and also improving its credit quality and collections performance.

The results of our Romanian operation for the year are set out below:

	2010 £m	2009 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**207**	164	43	26.2	26.2
Credit issued	**74.6**	64.1	10.5	16.4	20.5
Average net receivables	**41.5**	28.6	12.9	45.1	50.4
Revenue	**50.5**	35.8	14.7	41.1	46.0
Impairment	**(17.5)**	(13.1)	(4.4)	(33.6)	(37.8)
	33.0	22.7	10.3	45.4	50.7
Finance costs	**(4.9)**	(1.9)	(3.0)	(157.9)	(206.3)
Agents' commission	**(4.9)**	(3.4)	(1.5)	(44.1)	(48.5)
Other costs	**(21.5)**	(19.8)	(1.7)	(8.6)	(13.2)
Profit / (loss) before taxation	**1.7**	(2.4)	4.1	170.8	

The business passed the 200,000 customer milestone in November 2010 and ended the year with 207,000 customers, an increase of 26.2%. This growth has been achieved without geographical expansion, which remains on hold until we become more confident about the economic outlook. Credit issued grew at a similar rate of 20.5%. Average receivables grew by just over 50% to £41.5 million reflecting this growth and stronger growth in 2009 and this led to a 46.0% increase in revenue during 2010.

Management have done well to improve credit quality and collections performance despite the Government's austerity measures. This is reflected in an improvement in impairment as a percentage of revenue to 34.7% (2009: 36.6%). We expect impairment to continue to improve in the next couple of years and track down to our expected 25-30% range for a mature market.

Finance costs increased by £3.0 million in 2010 due to higher borrowing requirements together with an increase in funding costs following the Group's refinancing.

Agents' commission increased in line with revenue to £4.9 million. Other costs increased at a rate that was much lower than the growth in revenue reflecting the impact of leveraging the existing infrastructure base. This resulted in a significant improvement in the cost-income ratio from 55.3% to 42.6% in 2010.

John Harnett
Chief Executive Officer

Financial review

David Broadbent
Finance Director

Pre-tax profit increase

49.3%*

*From continuing operations before exceptional items.

Strong performance in uncertain economic times

Conditions in the markets in which we operate have been difficult since the onset of the global downturn in 2008. Our approach during this period was to focus on maintaining acceptable levels of impairment, controlling costs and growing only where economic conditions improved and trading performance allowed.

We have demonstrated the resilience of the business model during this period and delivered a strong performance in 2010 with a record pre-tax profit of £92.1 million, an increase in pre-exceptional profit before taxation from continuing operations of 49.3%. At the same time, borrowings reduced by £28.3 million to £304.3 million, the ratio of equity to receivables rose to 54.5% and headroom over our core funding covenants has increased.

Refinancing successfully completed

During the year we were pleased to secure funding through to the end of 2013 to support growth in the business, in very difficult market conditions. As part of this process we were able to remove our reliance on bank funding by securing new sources of funding through our inaugural Eurobond issue under our Euro Medium Term Note ('EMTN') programme as well as being recognised as the first non-domestic issuer of corporate bonds on the Warsaw Stock Exchange. We were also able to diversify and extend the maturity profile of our debt funding with the introduction of a significant proportion of five-year funding.

In 2010 we put in place the following debt funding structure:

- in August we issued €225 million (£193.1 million) five-year bonds at a fixed coupon of 11.5% under our EMTN programme;
- in September, we issued 200 million Polish zloty bonds (£43.4 million) maturing 30 June 2015 (the 'PMTN bond'). The coupon is a floating rate of six-month WIBOR (the relevant Polish bank reference rate) plus a margin of 750 basis points; and

- in November 2010 we entered into new three-year syndicated and bilateral bank facilities totalling £198.3 million priced at 400 basis points over reference rate.

There was no change to the Group's financial covenants arising from any of these funding initiatives.

The actual cost of the funding in local currency terms is usually higher than the EMTN bond's coupon rate due to the markets in which we operate having higher base rates than the Euro. In the period from the date the bonds were issued to the year end, the weighted average interest cost of EMTN funding, when translated into operating currencies, was 14.8%.

Our syndicated and bilateral facilities reflect a broad banking group that has a good strategic and geographical fit with our operations. These facilities are provided by the following institutions: Citibank, HSBC, VUB, BZWBK, Unicredit, ING, Alior, DZ Bank and OTP Bank.

Robust investment proposition

We believe that there are five key reasons why the Group represents a robust investment proposition.

1. Resilient business model

We operate a long-established business model that was stress tested in the 2008 and 2009 economic downturn. Most loans issued by the Group are for terms of around one year with, on average, just five months remaining at any time. This enables us to readily change the risk / return profile of the business to respond to changes in the external economic environment. This speed of response, together with prudent provisioning, means that the impact of adverse economic conditions is reported in the income statement quickly: the reduction in profitability in 2009 was largely reported in the first quarter of the year with year-on-year profit growth resuming in the second half. In 2010 we reported further increases in profitability on a quarterly basis and a record profit for the full year by concentrating on controlled growth and improved credit quality.

The business model generates good margins and returns. In 2010 we generated a profit margin of 15.1% and a return on capital employed of 21.9%. This includes a margin of 21.8% and return on capital employed of 29.5% in our established Central European businesses.

	EPS (p)	Margin (%)	ROCE* (%)
Poland	13.07	20.0	27.2
Czech-Slovakia	11.11	30.3	39.2
Hungary	2.42	12.3	17.7
Central Europe	26.60	21.8	29.5
Central costs	(3.43)	–	–
Developing markets	1.40	3.4	6.4
Group	**24.57**	**15.1**	**21.9**

*For this purpose equity has been calculated as 55% of receivables and tax has been allocated across the businesses at the Group rate.

Robust investment proposition

1. Resilient business model
2. Effective risk management systems
3. Experienced management team
4. Strong financial profile
5. Good profitable growth prospects

Financial review continued

2. Effective risk management systems

We have well tested and effective risk management systems. The Board is committed to high standards of corporate governance and now complies with all the requirements of the Combined Code. Details of the Board's approach to corporate governance are set out in the corporate governance statement of the Directors' Report. We employ standard operational and administrative processes to control our business across our markets using a robust IT platform and standard best practice processes, including effective financial control systems.

Specifically, we operate a prudent, objective and centrally controlled provisioning system that has the following key attributes:

- impairment provisions are assessed on a weekly basis;
- an impairment charge is made in the event of any missed payment or portion of payment, even if the agent fails to visit a customer;
- impairment charges are always calculated by reference to the customer's original contractual repayment schedule, even when an extended repayment schedule has been agreed;
- customers are categorised into arrears stages by reference to their most recent 12-week repayment performance;
- provision percentages for each arrears stage have been derived using statistical modelling of past customer performance that estimates the amount and timing of cash flows; and
- separate statistical models are used for each product in each country and these models are reviewed on a regular basis to ensure that they reflect current performance.

The short-term nature of the loans combined with prudent provisioning means that impairment is charged to the income statement quickly.

3. Experienced management team

The Group's Board has good experience of operating in public listed companies and international markets. Our Senior Management Group has a strong and successful track record and combines long-term home credit expertise and wider financial services experience. Biographies of the Board and Senior Management Group are set out in the Governance section of the Directors' Report.

> "We operate a prudent, objective and centrally controlled provisioning system."

4. Strong financial profile

We have a well funded balance sheet and strong cover ratios:

- we are well capitalised with shareholders' equity representing 54.5% of receivables, the equivalent of a bank's Tier 1 ratio;
- borrowings have reduced by £28.3 million;
- gearing* has reduced from 1.2 times to 1.0 times;
- we have diversified the sources and maturity profile of our debt funding; and
- we have good cover against all of our other core funding covenants.

		2010	2009
Gearing*	Max 3.75	**1.0**	1.2
Interest cover	Min 2 times	**3.8**	3.2
Net worth*	Min £125 million	**316.8**	275.2
Receivables : borrowings	Min 1.1:1	**1.9**	1.6

*Adjusted for derivatives and pension liabilities.

Our business model is cash and capital generative in an established market. In 2010 our established markets generated operating cash flow of £93.8 million at the same time as growing the receivables book by £27.8 million.

Operating cash flow (£m)	2010	2009
Established businesses	**93.8**	155.7
Developing businesses	**3.5**	(33.6)
Total operating cash flows – continuing operations	**97.3**	122.1

The established operations in Central Europe of Poland, the Czech Republic, Slovakia and Hungary consistently generate positive operating cash flows. These are an important component of the Group's sources of funding and are used to service borrowings, pay dividends and, importantly, provide funding for the growth in our developing businesses.

As the developing businesses of Mexico and Romania mature, profits will grow, they will become self-funding and will generate surplus cash to support growth in future new markets. We are continuing to evaluate opportunities for new market entry in 2011. Given that new market pilots typically run for a period of 12 to 18 months, this will not have a significant impact on our operating cash flows before 2013 at the earliest.

Equity to receivables ratio

54.5%

(2009: 49.4%)

Gearing

1.0 times

(2009: 1.2 times)

Interest cover

3.8 times

(2009: 3.2 times)

Operating cash flow

£97.3m

(2009: £122.1m)

Financial review continued

5. Good profitable growth prospects

We believe that the Group has significant growth opportunities. In our established markets there is an improving economic outlook which, together with reduced competition and good credit quality, should yield improved profitability. In our developing markets we see similar macro conditions together with the opportunity for further geographic expansion in order to leverage our existing investment. A key component of our Group strategy remains to take the business model to new markets when the time is right.

2010 results

We reported a pre-tax profit before exceptional items of £92.1 million compared to a profit of £61.7 million in 2009, an increase of 49.3%. Our operating margin increased from 11.2% to 15.1%, largely driven by improvements in the ratio of impairment to revenue and the cost income ratio. Statutory profit before taxation was £88.2 million and includes an exceptional charge of £3.9 million comprising exceptional financing costs totalling £6.8 million partially offset by a curtailment gain of £2.9 million arising on the closure of the Group's defined benefit pension scheme to future accrual. The exceptional financing costs primarily relate to the cost of closing out interest rate swaps upon refinancing.

Taxation

The taxation charge for the year was £29.0 million (2009: £16.1 million), which represents an increase in the effective tax rate to 33% (2009: 26%). The effective rate for 2010 was impacted by two significant factors. As previously announced, the rate of corporation tax in Hungary is to be reduced from 19% to 10% with effect from 2013. Whilst this is beneficial in the medium term it has resulted in a £4.4 million reduction in the Group's deferred tax asset and, therefore, has a one off adverse impact on the tax charge in 2010. In addition, the special bank tax in Hungary, which was introduced in 2010, resulted in an incremental tax charge of £3.7 million: this tax is expected to be in place until 2012. The effective rate is expected to be around 28% in 2011.

Dividend

Subject to shareholder approval, a final dividend of 3.74 pence per share will be declared. This represents an increase of 10% on last year and will bring the full year dividend to 6.27 pence per share (2009: 5.70 pence per share). This is consistent with our progressive dividend policy and our stated intention to move to a pay-out ratio of 25% of post-tax profit.

Earnings per share

24.57p*

(2009: 17.78p)

*From continuing operations before exceptional items.

Dividend per share

6.27p

(2009: 5.70p)

Receivables and provisioning

Group receivables at the end of 2010 were £566.9 million (2009: £525.6 million). The average period of receivables outstanding was 5.0 months (2009: 5.1 months) with 98.6% of year end receivables due within one year (2009: 98.0%). Poland is the only market where we issue loans repayable over two years but this was also constrained significantly as part of the credit tightening put in place in 2008. This represented 1.5% of Group credit issued (2009: 2.7%) and 3.6% of year end Group receivables (2009: 2.7%).

Our receivables book is valued by discounting the expected future cash flows in respect of outstanding customer loans by the relevant effective interest rate. The expected future cash flows are adjusted to take account of our expectation of future credit losses based on the age of the debt, the number of missed payments and the historical performance of similar loans. Impairment charges are always calculated by reference to the customer's original contractual repayment schedule, even when an extended repayment schedule has been agreed.

Funding

Total Group borrowings have reduced by £28.3 million to £304.3 million reflecting careful management of costs, coupled with the cash generative nature of our business model. This compares with total facilities of £479.6 million, giving headroom on facilities of £175.3 million. The maturity profile of facilities is summarised as follows:

	Less than one year £m	One to three years £m	Four to five years £m	Total £m
Short-term facilities	44.8	–	–	**44.8**
Term syndicated facilities	–	96.8	–	**96.8**
Term bilateral facilities	–	101.5	–	**101.5**
EMTN bond	–	–	193.1	**193.1**
PMTN bond	–	–	43.4	**43.4**
	44.8	198.3	236.5	**479.6**
Borrowings				**304.3**
Headroom				**175.3**

Going concern

The Board has reviewed the budget for the year to 31 December 2011 and the forecasts for the four years to 31 December 2015 which include projected profits, cash flows, borrowings and headroom against facilities. The Group's committed funding through a combination of bonds and committed bank facilities are sufficient to fund the planned growth of our existing operations and new markets until November 2013. Taking these factors into account the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason the Board has adopted the going concern basis in preparing these Financial Statements.

David Broadbent
Finance Director

Contractual receivables

£1,026.1m

(2009: £937.9m)

Net receivables

£566.9m

(2009: £525.6m)

Headroom on funding facilities

£175.3m

(2009: £265.7m)

Our Board and Committees
(as at 2 March 2011)

Christopher Rodrigues CBE
Non-Executive Chairman, age 61

Christopher joined the Board of International Personal Finance plc in 2007 at the time of the demerger from Provident Financial plc, serving as Executive Chairman until October 2008 when the chairmanship became a non-executive role.

Qualifications: Graduated in Economics and Economic History and has an MBA.

Other appointments: Chairman of VisitBritain and a non-executive director of Ladbrokes plc.

Previous appointments: Chief Executive of Thomas Cook, Chief Executive of Bradford and Bingley, board member of the Financial Services Authority, President and Chief Executive of Visa International and Joint Deputy Chairman of Provident Financial plc.

Charles Gregson
Non-executive director, age 64

Charles joined the Board of International Personal Finance plc as a non-executive director in 2007.

Qualifications: Graduated in History and Law and qualified as a solicitor.

Other appointments: Non-Executive Chairman of ICAP plc and CPPGroup Plc, and a non-executive director of Caledonia Investments plc and St. James's Place plc.

Previous appointments: Chief Executive of PR Newswire Association Inc, director of United Business Media plc, non-executive director and Deputy (later Joint Deputy) Chairman of Provident Financial plc.

John Lorimer
Independent non-executive director, age 58

John joined the Board of International Personal Finance plc as a non-executive director in May 2010.

Qualifications: Graduated in Commerce.

Other appointments: Chairman of CAF Bank Ltd and a trustee of the Charities Aid Foundation, and a director of Aberdeen New Dawn Investment Trust PLC. He is also a director of Welsh National Opera Limited.

Previous appointments: senior positions with Standard Chartered Bank (most recently as Group Head of Compliance and Regulatory Risk) and Citigroup.

John Harnett
Chief Executive Officer, age 56

John joined the Board of International Personal Finance plc in 2007 and served as Chief Operating Officer until October 2008 when he was appointed Chief Executive Officer.

Qualifications: Graduated in Business Studies and is a chartered accountant.

Previous appointments: Finance Director of Holliday Chemical Holdings plc, Finance Director of Allied Colloids PLC and Finance Director of Provident Financial plc, later Managing Director of its International Division.

Tony Hales CBE
Senior independent non-executive director, age 62

Tony joined the Board of International Personal Finance plc as a non-executive director in 2007.

Qualifications: Graduated in Chemistry.

Other appointments: Chairman of British Waterways and Workspace Group plc and a non-executive director of SSVC Limited. He is also a director of Welsh National Opera Limited.

Previous appointments: Chief Executive of Allied Domecq plc, Chairman of NAAFI Limited, and a non-executive director of Provident Financial plc, Welsh Water plc, Aston Villa plc, HSBC Bank plc and Reliance Security Group plc.

Nicholas Page
Independent non-executive director, age 58

Nicholas joined the Board of International Personal Finance plc as a non-executive director in 2007.

Qualifications: Graduated in Philosophy, Politics and Economics and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Other appointments: Non-executive director of Collins Stewart plc.

Previous appointments: Chief Operating Officer of Travelex plc, Managing Director of Hambro Insurance Services plc, executive director of Hambros Bank and Joint Deputy Chairman of Hambro Group Investments, and non-executive director of MoneyGram International Limited.

David Broadbent
Finance Director, age 42

David joined the Board of International Personal Finance plc as Finance Director in 2007.

Qualifications: Graduated in Classics, has an MBA and is a chartered accountant.

Previous appointments: Senior Manager with PricewaterhouseCoopers, Financial Controller and later Finance Director of the International Division of Provident Financial plc.

Edyta Kurek
Independent non-executive director, age 44

Edyta joined the Board of International Personal Finance plc as a non-executive director in February 2010.

Qualifications: Graduated in Nuclear Engineering.

Other appointments: Vice President East Central Europe and Middle East, and General Manager of Herbalife Polska Sp. z o.o.

Previous appointments: positions in Oriflame Poland Sp. z o.o. and UPC Poland Sp. z o.o.

Executive Committee
John Harnett (Chairman)
David Broadbent
Fred Forfar

Disclosure Committee
John Harnett (Chairman)
David Broadbent
Rosamond Marshall Smith

Nomination Committee
Christopher Rodrigues (Chairman)
Tony Hales
John Harnett
Edyta Kurek
John Lorimer
Nicholas Page

Remuneration Committee
Tony Hales (Chairman)
John Lorimer
Nicholas Page

Audit and Risk Committee
Nicholas Page (Chairman)
Tony Hales
John Lorimer

Our Senior Management Group

David Parkinson
Country Manager – Poland

David joined the international team in 2003 as Field Development Manager and was appointed Country Manager of the Czech Republic and Slovakia in January 2008 and Country Manager of Poland in February 2010. He previously held various operational roles within the UK home credit division of Provident Financial plc before serving as Head of Communications, Head of Training and Head of Agent Support.

Russell Johnsen
Country Manager – Romania

Russell joined the international team in 1997 and played a key role in establishing the businesses in Poland and the Czech Republic. In 2007 he joined Provident Mexico as Business Development Director. He was appointed Country Manager of Romania in February 2009. He previously held various field-based management roles within the UK home credit division of Provident Financial plc.

John Saville
Information Technology Director

John joined the Group in 2007 having previously worked for companies including HBOS, Telewest, Vodafone, Cable & Wireless and Lehman Brothers. John is responsible for all aspects of IT across the Group.

Chris Wheeler
Country Manager – Czech Republic and Slovakia

Chris joined the international team in June 2001, working in operations in the Czech Republic, Slovakia and Poland. In 2005 he moved to Mexico to lead the expansion into the Guadalajara region and in January 2008 was appointed Country Manager of Russia. He was appointed Country Manager of the Czech Republic and Slovakia in February 2010. He previously held various management positions within the UK home credit division of Provident Financial plc.

Fred Forfar
Group Development Director

Fred joined the international team in 2003 having previously served as Deputy MD, HR director and Marketing and Commercial director of the UK home credit division of Provident Financial plc. He was responsible for new market development at IPF before being appointed Group Development Director in August 2010. He has responsibility for the development of the Group's Operational Strategies and the Global Change Management Programme. Fred is also responsible for the identification, researching and opening of new markets. He is a member of the Executive Committee.

Davie Thompson
Field Operations Director

Davie joined the Group in January 2011 having previously spent 29 years at Provident Financial plc working at all levels of operational management in addition to managing a range of central functions. He is responsible for the overall management, development, delivery and implementation of the Global Change Management Programme.

Botond Szirmak
Country Manager – Hungary

Botond joined the international team in Hungary in February 2002 as a Development Manager, moving to Area Manager, Regional Operations Manager and Divisional Operations Manager. He was appointed Operations Director in 2006 and in February 2008 he became Country Manager of Hungary.

John Mitra
Corporate Affairs Director

John joined the international team as Marketing and Communications Director in 2004 having previously worked for global companies including Rothmans, Sheaffer and Bic. He became Corporate Affairs Director in August 2010. John is responsible for developing and delivering the Group corporate communications strategy to optimise the regulatory and reputational aspects of the business and minimise regulatory risk.

Helen Thornton
Human Resources Director

Helen joined the Group in 2009 having previously worked for National Express East Coast, British Airways and as HR Director for GNER. She is responsible for the development and implementation of an effective HR strategy for the business.

Kenny McPartland
Country Manager – Mexico

Kenny joined the international team in 1998 as Field Development Manager in the Czech Republic. He was appointed Country Manager of Slovakia in 2001 and moved to be Country Manager of the Czech Republic in 2003. He took charge of both countries in January 2006. In January 2008 he was appointed Country Manager of Mexico. He previously held various operational roles within the UK home credit division of Provident Financial plc.

Simon Quick
Group Marketing Director

Simon joined the Group in February 2011 having previously undertaken a range of senior marketing and general management roles at Hearthstone Investments plc, AEGON Direct Marketing Services, Norwich Union Life, Barclays, TSB and Dixons. He is responsible for developing and implementing the marketing strategy for the business.

John Williams
Credit Director

John joined the international team in 2005 having previously worked for companies including GUS, The Associates and Marks & Spencer. His role includes managing all aspects of credit risk across all markets.

Corporate governance statement

The Board believes that good corporate governance at all levels within the Group is fundamental to the success of the business. It expects that the Company will comply with the new UK Corporate Governance Code, published in May 2010, throughout the financial year commencing 1 January 2011. The corporate governance statement provides the detail as to how good corporate governance has operated within the Group in 2010. Key topics covered are the work of the Board and Committees; internal control and risk management; and environmental, social and governance matters.

Our business model carries particular risks inherent in a fast growing business operating in emerging markets and effective governance and Board oversight is a crucial control.

Introduction

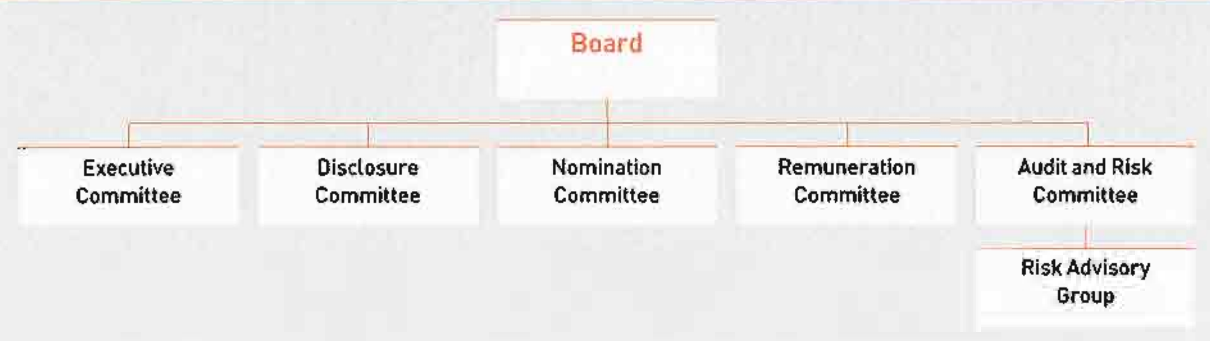
This constitutes the corporate governance statement pursuant to Rule 7.2 of the Disclosure and Transparency Rules. It explains how the Company applied the principles set out in Section 1 of the Combined Code on Corporate Governance ('the Combined Code') published by the Financial Reporting Council ('FRC') in June 2008 in the financial year ending on 31 December 2010. The Combined Code is available on the FRC's website at www.frc.org.uk.

Statement of compliance with the Combined Code

The Board is of the opinion that the Company complied with all the provisions in Section 1 of the Combined Code throughout 2010 with one exception.

Code provision B.1.1: The International Personal Finance plc Incentive Plan provided a one-off (rather than phased) incentive to the senior executive team in the three-year period following the demerger (July 2007 to July 2010). This was designed to incentivise them to achieve the Company's plans and strategic targets during this critical period in the development of the Company. All outstanding awards under the Incentive Plan lapsed on 16 July 2010 and it ceased to operate on that date. The Company therefore complied with Code provision B.1.1 from that date.

Structure



The Board

Members and attendance

The Board leads and controls the Company. Two directors were appointed and two retired in 2010 on the dates set out in the notes to the table below. There were meetings on seven scheduled days and four additional meetings. The members and their attendance at Board meetings in 2010 were as follows:

Name	Number of meetings	Number attended
Christopher Rodrigues (Chairman)	11	11
David Broadbent (Finance Director)	11	11
Charles Gregson (Non-executive director)*	11	10
Tony Hales (Non-executive director)	11	11
John Harnett (Chief Executive Officer)	11	11
Edyta Kurek (Non-executive director)**	10	9
John Lorimer (Non-executive director)†	4	3
Nicholas Page (Non-executive director)	11	11
Ray Miles (Non-executive director)‡	7	7
Craig Shannon (Executive Director)#	8	8

*Charles Gregson missed one meeting as he was on holiday.
**Edyta Kurek was appointed to the Board on 15 February 2010 and missed one meeting due to a prior business commitment.
†John Lorimer was appointed to the Board on 12 May 2010 and missed one meeting due to a prior engagement.
‡Ray Miles ceased to be a director on 12 May 2010.
#Craig Shannon ceased to be a director on 6 August 2010.

In addition to the Board meetings, the Board held a strategy retreat in June 2010 which was attended by all the directors.

Governance framework

The Board has a formal schedule of matters specifically reserved to it for decision. These include:

- Group strategy;
- approval of results;
- approval of budgets;
- approval of dividends;
- approval of major transactions;
- treasury policies;
- Board appointments;
- health and safety and environmental policy;
- corporate governance;
- annual review of the effectiveness of the Group's system of internal control;
- approval of directors' conflicts of interest; and
- certain credit policies; namely policies in respect of repeat lending, provisioning, write-off and changes to product structure and pricing.

The Board has approved a statement of the division of responsibilities between the Chairman and the Chief Executive Officer. The Chairman is responsible for chairing Board meetings and monitoring their effectiveness, and chairing the annual general meeting ('AGM') and Nomination Committee. The Chief Executive Officer is responsible for developing and implementing the strategy agreed by the Board and for all executive matters (apart from those reserved to the Board and the Board Committees) and will delegate accordingly.

There are five principal Board Committees. Their written terms of reference are available on the Company's website (www.ipfin.co.uk) and from the Company Secretary.

Corporate governance statement continued

Chairman

The Chairman is also Chairman of VisitBritain and a non-executive director of Ladbrokes plc. There were no changes to his significant commitments in 2010.

Non-executive directors

The independent non-executive directors have been appointed for a fixed period of three years. The initial period may be extended for a further period, subject to re-election by shareholders. Their letters of appointment may be inspected at the Company's registered office and are available from the Company Secretary. Each of the non-executive directors, with the exception of Charles Gregson, has been formally determined by the Board to be independent for the purposes of the Combined Code.

Although Charles Gregson has only been a member of this Board since demerger in 2007, he previously served on the board of Provident Financial plc alongside John Harnett. The Board therefore carefully considered the position and concluded that, with effect from the one-year extension of his term of office on 30 June 2010, he should no longer be regarded as independent.

Tony Hales, the Senior Independent Director, is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer and Finance Director has failed to address or for whom such contact is inappropriate.

Re-election of directors

Under the Company's Articles of Association, each director must offer himself / herself for re-election every three years. After nine years a director, other than an executive director, must offer himself / herself for re-election annually. A director who is initially appointed by the Board is subject to election at the next AGM. The Company has decided that in accordance with best corporate governance practice all directors will offer themselves for re-election this year. Details of the directors, including the reasons for proposing their re-election, are contained in the Chairman's letter to shareholders that will accompany the Notice of AGM.

Policy on other board appointments

The Board has approved a policy on other directorships; any request for an exception to this is considered on its merits. An executive director will be permitted to hold one non-executive directorship (and to retain the fees from that appointment) provided that the Board considers this will not adversely affect his / her executive responsibilities.

The Company's policy is that the Chairman and the non-executive directors should have sufficient time to fulfil their duties, including chairing a Board Committee as appropriate. A non-executive director should not hold more than four other material non-executive directorships. If he / she holds an executive role in another FTSE 350 company, he / she should not hold more than two other material non-executive directorships.

Board performance evaluation

As part of its best practice approach to corporate governance the Board decided to engage an external consultant, Professor Stuart Timperley, to carry out the Board performance evaluation for 2010. He carried out extensive interviews with the directors and other senior executives and presented his key findings to the Board at its February 2011 meeting. He found the issue of governance in its broadest interpretation to be of high priority and the Board and Committees to be effective. As an ongoing process the Board will discuss and address his observations.

Company Secretary and independent advice

All directors are able to consult with the Company Secretary. The appointment and removal of the Company Secretary is a matter for the Board. The Company Secretary is secretary to the Board Committees (other than the Disclosure Committee of which the Deputy Company Secretary is Secretary). There is a formal procedure by which any director may take independent professional advice at the Company's expense relating to the performance of his / her duties.

Meetings

Seven Board meetings and a strategy retreat are scheduled for 2011. A detailed agenda and a pack of Board papers are sent to each director a week before each meeting so he / she has sufficient time to review them. Additional meetings are convened if required and there is contact between meetings where necessary. The Chairman has held a number of sessions with the non-executive directors without executive directors present, and the non-executive directors have met without the Chairman on a number of occasions.

Training

The Company's policy is to provide appropriate training to directors, taking into account their individual qualifications and experience, including environmental, social and governance training as appropriate. From time to time the Company arranges presentations for the Board on topical subjects following Board meetings. The Company Secretary maintains a register of training for each director which is reviewed by the Board annually. The register was last reviewed by the Board at its meeting in January 2011.

Report on the Executive Committee

Until 6 August 2010, this Committee consisted of John Harnett (Chairman), David Broadbent and Craig Shannon. Craig Shannon ceased to be a member of the Committee on 6 August 2010 and Fred Forfar became a member on 9 September 2010. Its remit is to deal with those matters specifically reserved to it for decision which primarily relate to the day-to-day running of the Group.

Report on the Disclosure Committee

Until 6 August 2010, this Committee consisted of David Broadbent, Craig Shannon and Rosamond Marshall Smith under the chairmanship of John Harnett. Craig Shannon ceased to be a member on 6 August 2010. Its remit is to ensure that the Company's obligations pursuant to the Disclosure and Transparency Rules and the Listing Rules of the FSA are discharged and that appropriate policies and procedures are in place.

Report on the Nomination Committee

Members and attendance

The members and their attendance at Committee meetings in 2010 were as follows:

Name	Number of meetings	Number attended
Christopher Rodrigues (Chairman)	4	4
Charles Gregson*	2	2
Tony Hales	4	4
John Harnett	4	4
Edyta Kurek**	2	2
John Lorimer**	2	2
Ray Miles*	2	2
Nicholas Page	4	4

*Charles Gregson and Ray Miles retired from this Committee on 12 May 2010.
**Edyta Kurek and John Lorimer were appointed to this Committee on 12 May 2010.

Remit

Its remit is to:

- assist the Board in the process of the selection and appointment of any new director and to recommend the appointment to the Board; and
- keep under review the size, structure and composition of the Board and succession.

Corporate governance statement continued

Work in 2010

The Committee has kept the size, structure and composition of the Board under review. It oversaw the recruitment process, including the appointment of search consultants, which led to the appointment of the two new non-executive directors; it then recommended to the Board the appointment of Edyta Kurek which took place in February 2010 and the appointment of John Lorimer which took place in May 2010. In addition, it recommended the extension of Charles Gregson's term of office.

It also reviewed the Board structure and succession and determined that a Chief Operating Officer should be recruited. The Chief Operating Officer will be responsible for the performance of the Group's countries of operation and will report to the Chief Executive Officer. The recruitment process is being handled by search consultants and is well under way.

Report on the Remuneration Committee

Members and attendance

The members and their attendance at Committee meetings in 2010 were as follows:

Name	Number of meetings	Number attended
Ray Miles (Chairman until 12 May 2010)*	2	2
Tony Hales (Chairman from 12 May 2010)	5	5
John Lorimer**	3	3
Nicholas Page	5	5

*Ray Miles retired from this Committee on 12 May 2010.
**John Lorimer was appointed to this Committee on 12 May 2010.

Remit

Its remit is to:

- consider the framework of executive remuneration and make recommendations to the Board;
- determine the specific remuneration packages and conditions of service of the Chairman, the executive directors, the Company Secretary and the Senior Management Group; and
- determine the policy / approve awards under the Company's equity incentive schemes.

Further details of the work of the Remuneration Committee are contained in the Directors' Remuneration Report, which also contains details of the Company's equity incentive schemes.

Report on the Audit and Risk Committee

Members and attendance

The members and their attendance at Committee meetings in 2010 were as follows:

Name	Number of meetings	Number attended
Nicholas Page (Chairman)*	6	5
Tony Hales	6	6
John Lorimer**	4	3
Ray Miles†	2	2

*Nicholas Page missed one meeting due to airport closure in Europe following bad weather.
**John Lorimer was appointed to this Committee on 12 May 2010 and missed one meeting due to a prior business commitment.
†Ray Miles retired from this Committee on 12 May 2010.

In addition to the members, at the invitation of the Committee, meetings are attended by both the internal audit firm and the external auditors as required and by the Finance Director and the Head of Compliance and Risk. Country Managers or heads of function regularly present to the Committee on an aspect of the business. The Committee also meets from time to time with the internal audit firm and the external auditors without an executive director or member of the Company's senior management being present. The Head of Compliance and Risk reports directly to the Chairman of the Committee, which ensures that his / her independence from the management and operation of the business is maintained.

The Chairman of the Committee, Nicholas Page, has a degree in Philosophy, Politics and Economics and is a Fellow of the Institute of Chartered Accountants in England and Wales. Tony Hales has a degree in Chemistry and John Lorimer has a degree in Commerce. The Chairman is regarded as having relevant and recent experience for the purposes of the Combined Code.

Remit

Its remit is to:

- make recommendations to the Board, for the Board to put to shareholders in general meeting in relation to the appointment of the external auditors, and in relation to the internal audit firm, and to approve their terms of appointment;
- review and monitor the objectivity of the external auditors and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- develop and implement policy on the engagement of the external auditors to supply non-audit services;
- monitor the integrity of the Financial Statements of the Company and the formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- keep under review the effectiveness of the Group's system of internal controls, including operational and compliance controls and risk management;
- keep under review the Group risk register and to consider the most important risks facing the Group and their mitigation; and
- keep under review the Group's whistleblowing policy.

Work in 2010

Two of the meetings each year are focused solely on risk. The remaining meetings cover audit-related matters and the other areas within the remit of the Committee.

There is a co-sourced internal audit operation, with internal audit functions established in all the businesses under the direction of the Head of Compliance and Risk, and Ernst & Young ('EY') performing special projects and such work as will allow them to report to the Committee on internal controls. Internal audit work is carried out by the local audit teams. EY review the work of the internal auditors in order to provide assurance on the operation of internal controls for the purpose of the Combined Code and to carry out separate pieces of work on specific risk areas.

In 2010 EY carried out:

- a review of the effectiveness of the internal audit functions in the countries;
- a review of arrears management / collections processes;
- an agent safety review; and
- a review of compliance with consumer credit legislation.

During 2010 the Committee:

- reviewed an internal audit activity report at each audit-focused meeting and considered a number of reports from the internal audit functions on specific areas of the business;
- considered a report by PricewaterhouseCoopers LLP ('PwC') on the results of its audit work (February) and considered a review by PwC of the financial information in the half-year report (July);
- received a presentation from PwC on the audit strategy for the 2010 audit and agreed this (December);
- agreed the internal audit plan for 2011 – this provides broad coverage of the business activities and includes reviews in each of the countries, together with the key corporate functions in the UK (December);

Corporate governance statement continued

- reviewed comprehensively the Group risk register on two occasions and kept under review the principal risks facing the Group and plans and measures to mitigate the impact of these risks;
- received presentations on different areas of the business from senior managers; the topics were tax risk, non-financial data assurance, political and reputational risk, lead management, collections and arrears management, and IT; and
- considered the internal controls / risks and reported to the Board.

Independence of auditors

The Committee ensures that the external auditors are, and are perceived to be, independent and has taken various steps to seek to ensure that this is and remains the case. The Committee considers a letter of independence from the external auditors once each year.

The Committee has adopted a policy on the appointment of employees from the auditors to positions within the various Group finance departments. This regulates the employment of key members of the audit engagement team as Finance Director or in certain other senior Group finance roles.

The Committee has adopted a policy on the use of the external auditors for non-audit work:

- the award of non-audit work to the auditors is managed in order to ensure that the auditors are able to conduct an independent audit and are perceived to be independent by the Group's shareholders and stakeholders;
- the performance of non-audit work by the auditors is minimised and work is awarded only when, by virtue of their knowledge, skills or experience, the auditors are clearly to be preferred over alternative suppliers;
- the Group maintains an active relationship with at least two other professional accounting firms;
- no information technology, remuneration, recruitment, valuation or general consultancy work may be awarded to the auditors without the prior approval of the Chairman of the Audit and Risk Committee, such approval to be given only in exceptional circumstances;
- the Chairman of the Committee must approve in advance any single award of non-audit work with an aggregate cost of £60,000 or more;
- the auditors may not perform internal audit work; and
- the Committee keeps under review the non-audit work carried out by the auditors. Fees paid to PwC in 2010 are set out in note 4 of the notes to the Financial Statements.

The non-audit services carried out by PwC in 2010 were as follows:

Work carried out	Fee £'000	Comment
Refinancing work	230	Related to review of working capital reports and Euro Medium Term Note issue costs*
Tax services	137	
Corporate responsibility	48	Related to the assurance of non-financial KPIs
Other	15	
	430	

*This refinancing work is non-recurrent.

Appointment of auditors

A resolution to appoint auditors will be proposed at the forthcoming AGM. The Committee decided that, as PwC had carried out the first three audits and would complete a fourth, it was appropriate for there to be a formal tender for the external audit. This will be concluded in mid-March 2011 and the name of the successful firm will appear in the Chairman's letter to shareholders that will accompany the Notice of AGM. There is also a formal tender for the internal audit firm.

Internal control and risk management

Risk management process

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Any system can provide only reasonable and not absolute assurance against material misstatement or loss.

In February 2011 the Board approved a Risk Appetite Statement which is published as part of the Principal risks section of this report. This sets out Group risks and the risk appetite and mitigation in relation to each risk.

The Board approves a detailed budget each year (usually in December) for the year ahead. It also approves outline projections for the subsequent four years. Actual performance against budget is monitored in detail regularly and reported monthly for review by the directors.

The Board requires its subsidiaries to operate in accordance with corporate policies and to certify compliance with these policies on an annual basis or, where a matter of non-compliance has been identified, to state the exception and the reason for it.

The Risk Advisory Group, which consists of the Chairman, the executive directors, the Company Secretary and the Head of Compliance and Risk, meets four times a year. It reports to the Audit and Risk Committee. Twice a year it considers the risk assessments and risk registers produced by the subsidiaries and updates the Group risk register and principal risks. It considers areas of specific risk and particular issues.

The Audit and Risk Committee considers the Group risk register and the nature and extent of the risks facing the Group. It reviews the principal risks and the framework to manage and mitigate such risks and reports to the Board on a regular basis.

The Audit and Risk Committee keeps under review the adequacy of internal financial controls in conjunction with the Head of Compliance and Risk and the internal audit firm and reports to the Board regularly. The operation of internal financial controls is further monitored, including a procedure by which operating companies certify compliance quarterly.

The Consolidated Financial Statements for the Group are prepared by aggregating submissions from each statutory entity. Prior to submission to the Group reporting team, the individual country submissions are reviewed and approved by the Finance Director of the relevant country. Once the submissions have been aggregated and consolidation adjustments made to remove intercompany transactions, the consolidated result is reviewed by the Finance Director. The results are compared to the budget and prior year figures and any significant variances are clarified. Checklists are completed by each statutory entity and by the Group reporting team to confirm that all required controls, such as key reconciliations, have been performed and reviewed.

The Financial Statements, which are agreed directly to the consolidation of the Group results, are prepared by the Group reporting team and reviewed by the Finance Director. The supporting notes to the Financial Statements which cannot be agreed directly to the consolidation are prepared by aggregating submission templates from each market and combining this with central information where applicable. The Financial Statements and all supporting notes are reviewed and approved by the Group Head of Finance and the Finance Director; these are signed by the Chief Executive Officer and the Finance Director.

Review of effectiveness

In accordance with the Guidance on Audit Committees issued by the FRC in 2008, the Board has reviewed the effectiveness of the Group's framework of internal controls, including financial, operational and compliance controls and risk management systems, during 2010. The process for identifying, evaluating and managing the significant risks faced by the Group was in place throughout 2010 and up to 2 March 2011. The Board also, where appropriate, ensures that necessary actions have been or are being taken to remedy significant failings or weaknesses identified from the review of the effectiveness of internal control.

Corporate governance statement continued

Relations with shareholders

The executive directors meet with institutional shareholders on a regular basis. The Chairman and Senior Independent Director also meet with shareholders from time to time. The Chairman is responsible for ensuring that appropriate channels of communication are established between the executive directors and shareholders and for ensuring that the views of shareholders are made known to the entire Board. Independent reviews of shareholder views are commissioned and the Board receives regular updates on investor relations.

The Board seeks to present the Company's position and prospects clearly. Annual Report and Financial Statements, circulars and announcements made by the Company to the London Stock Exchange are posted on the Company's website (www.ipfin.co.uk).

Shareholders, whatever the size of their shareholding, are able to express their views via email or telephone contact with the Investor Relations Manager.

The Company gives at least 20 working days' notice of the AGM. Its policy is that the Chairman of each of the Board Committees will be available to answer questions from shareholders and there is an opportunity for shareholders to ask questions on each resolution proposed. Details of proxy votes are made available to shareholders and other interested parties by means of an announcement to the London Stock Exchange and on the Company's website.

Environmental, social and governance matters

During the year, the Company and its subsidiaries made donations of £48,607 for (UK) charitable purposes. Community investment across the Group totalled £1,139,716 in cash, employee time and in-kind contributions to charitable and community investment organisations. A further £2,045,476 was raised through leverage (including fundraising and matched funding). The Group's community data is reported in line with the London Benchmarking Group methodology and is independently assured by the Corporate Citizenship Company. No political donations were made.

The Board takes regular account of the significance of environmental, social and governance ('ESG') matters to the Group and has identified and assessed the significance of ESG risks to the Company's short and long-term value as part of the risk management process. It recognises that a proactive programme of reputation management through a range of progressive, responsible business initiatives adds to the sustainable long-term value of the Company. Responsibility for this area rests with the Chief Executive Officer, John Harnett. He chairs the Corporate Responsibility Steering Committee which sets guidance, provides direction and oversees policies and progress to ensure that the Company is a leader in its approach to ESG matters.

Key ESG issues for the business that impact upon its stakeholders are: corporate reputation; social or financial exclusion; ensuring work with communities is relevant; and attracting skilled and well motivated labour. Failure to be seen to trade responsibly and failure to gain the necessary approvals to trade from regulators could adversely affect the Company's reputation and share price.

Adequate information is received by the Board to make an assessment of key ESG issues. Corporate affairs activity, health and safety and people management issues were all discussed at Board meetings in 2010. The Board formally reviews a corporate responsibility ('CR') report at least once a year. Details of training for directors are set out in the training section of this corporate governance statement.

The Group attaches great importance to the health and safety of its employees, agents and other people who may be affected by its activities. The Board has approved a Group health and safety policy and a framework for health and safety. It has established a Health and Safety Committee which is chaired by the Group Development Director, Fred Forfar. This Committee reports annually to the Board by means of a written report. Each subsidiary board is responsible for the issue and implementation of its own health and safety policy as it affects the subsidiary company's day-to-day responsibility for health and safety. Health and safety is considered regularly at board meetings within the Group.

There is a range of appropriate corporate standards, policies and governance structures covering all operations. Compliance with corporate policies is confirmed formally by means of a self-certification process once a year and is reported to the Board.

Community investment and environmental data are externally verified. The environmental management system is also subject to an annual independent internal audit against the requirements of ISO 14001. The Group achieved independent external assurance against the International Standard on Assurance Engagements (ISAE3000) for selected Key Performance Indicators. Further details are in the Independent assurance report.

The Remuneration Committee is able to consider performance on ESG issues when setting the remuneration of executive directors and, where relevant, ESG matters are incorporated into the performance management systems and remuneration incentives of local business management. When setting incentives the Remuneration Committee takes account of all implications, including the need to avoid inadvertently motivating inappropriate behaviour.

In 2010, the executive directors were given specific objectives relating to ESG issues for the purposes of the annual bonus scheme: these related to leadership and succession planning. Details of the bonus scheme are set out in the bonuses section of the statement of the Company's policy on directors' remuneration in the Directors' Remuneration Report.

Full information on specific ESG matters, and how these are managed, can be found in the CR section of the Company's website (www.ipfin.co.uk).

Securities

On 19 April 2010 the Company established a Euro Medium Term Note ('EMTN') programme. In August 2010 it issued €225 million notes pursuant to that programme. The term is five years and the coupon is 11.5%. In February 2011 it issued Romanian lei 36.5 million with a three-year term and 12% coupon under the EMTN programme. The Euro and Romanian lei notes are listed on the London Stock Exchange. A subsidiary company IPF Investments Polska Sp. z o.o. issued 200 million Polish zloty notes maturing on 30 June 2015. The coupon is a floating rate of six-month WIBOR plus a margin of 750 basis points. These notes are listed on the Warsaw Stock Exchange.

Share capital information

On 31 December 2010, there were 257,217,888 ordinary shares of 10 pence each in issue. No shares were issued during the year. The ordinary shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form.

The full rights and obligations attaching to the Company's ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association, a copy of which can be viewed on the Company's website or obtained by writing to the Company Secretary or from Companies House in the UK. A summary of those rights and obligations can be found below. The holders of ordinary shares are entitled to receive the Company's Annual Report and Financial Statements, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

The directors are responsible for the management of the Company and may exercise all the powers of the Company, subject to the provisions of the relevant statutes and the Company's Articles of Association. For example, the Articles of Association contain specific provisions and restrictions regarding the Company's powers to borrow money; provisions relating to the appointment of directors, subject to subsequent shareholder approval; delegation of powers to a director or committees; and, subject to certain exceptions, a director shall not vote on or be counted in a quorum in relation to any resolution of the Board in respect of any contract in which he / she has an interest which he / she knows is material.

Corporate governance statement continued

Changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force from time to time.

There are no restrictions on voting rights except as set out in the Articles of Association (in circumstances where the shareholder has not complied with a statutory notice or paid up what is due on the shares). There are no restrictions on the transfer (including requirements for prior approval of any transfers) or limitations on the holding of ordinary shares subject to the fact that the Board may refuse to register the transfer of:

- a partly-paid share;
- an uncertificated share in the circumstances set out in the Uncertificated Securities Regulations 2001; and
- a certificated share if a duly executed transfer is not provided together with any necessary document of authority.

There are no known arrangements under which financial rights are held by a person other than the holder of the shares.

Shares to be acquired through the Company's share plans rank pari passu with the shares in issue and have no special rights. The Company operates an employee trust with an independent trustee, Appleby Trust (Jersey) Limited, to hold shares pending employees becoming entitled to them under the Company's share incentive plans. On 31 December 2010, the trustee held 3,648,471 shares in the Company. The trust waives its dividend entitlement and abstains from voting the shares at general meetings.

The Company is not party to any significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid, apart from:

- its bank facility agreements which provide for a negotiation period following a change of control of the Company and the ability of a lender to cancel its commitment and for outstanding amounts to become due and payable;
- its Euro Medium Term Note programme ('the EMTN Notes') which entitles any holder of an EMTN Note to require the Company to redeem such holder's EMTN Notes if there is a change of control of the Company and, following such change of control, the EMTN Notes are downgraded; and
- its Polish Medium Term Note programme ('the PMTN Notes') which entitles any holder of a PMTN Note to require the issuer to redeem such holder's PMTN Notes if there is a change of control of the Company and following such change of control the EMTN Notes are then downgraded (or if no EMTN Notes are then outstanding, in certain other circumstances).

The Company does not have any agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover. However, provisions in the Company's share incentive plans may cause awards granted to directors and employees to vest on a takeover.

Annual Report and Financial Statements

The Company presents its own Annual Report and its Consolidated Annual Report as a single Annual Report.

Directors' responsibilities in relation to the Financial Statements

The directors are responsible for preparing the Annual Report and Financial Statements, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have prepared the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement

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

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

To the best of each director's knowledge:

a) the Financial Statements, prepared in accordance with the applicable set of accounting standards, 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.

Disclosure of information to the auditors

In the case of each person who is a director at the date of this report, it is confirmed that, so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and he / she has taken all the steps that ought to have been taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Other information

Directors' interests

As at 31 December 2010, the notifiable interests of each director (and his / her connected persons) under the Disclosure and Transparency Rules were as follows:

Name	Number of shares at 31 Dec 2010	Number of shares at 31 Dec 2009
Christopher Rodrigues	**218,562**	218,562
David Broadbent	**18,036**	18,036
Charles Gregson	**58,187**	58,187
Tony Hales	**25,000**	25,000
John Harnett	**267,905**	267,905
Edyta Kurek*	**–**	–
John Lorimer**	**18,320**	–
Nicholas Page	**50,674**	50,674

*Edyta Kurek was appointed as a director on 15 February 2010.
**John Lorimer was appointed as a director on 12 May 2010.

In addition the following directors had interests in the Euro Medium Term Notes as follows:

Name	Euro notes
Nicholas Page	€400,000
John Lorimer	€194,000

There were no changes in these interests between 31 December 2010 and 25 February 2011.

Details of awards of nil cost and other options to directors are set out in the sections on the Performance Share Plan, the CSOP and the SAYE Scheme in the Directors' Remuneration Report.

No director has notified the Company of an interest in any other shares, transactions or arrangements which requires disclosure.

Directors' indemnities

The Company's Articles of Association permit it to indemnify directors of the Company (or of any associated company) in accordance with the Companies Act 2006. However, no qualifying indemnity provisions were in force in 2010 or at any time up to 25 February 2011 other than under the International Personal Finance plc Pension Scheme ('the Pension Scheme'). Under the deed establishing the Pension Scheme, the Company grants an indemnity to the trustee and the directors of the trustee. Two of these directors are directors of subsidiaries of the Company.

Directors' conflicts of interest

To take account of the Companies Act 2006, the directors have adopted a policy on conflicts of interest and established a register of conflicts. The directors consider that these procedures have operated effectively in 2010 and up to 2 March 2011.

Authority to allot shares

As at 31 December 2010, the directors had authority to allot further securities up to an aggregate nominal amount of £8,500,000 and, broadly, up to a further £8,500,000 for a rights issue. Further authorities will be sought at the forthcoming annual general meeting ('AGM').

Equity incentive schemes

The Company currently operates three equity incentive schemes. Details of individual grants made in 2010 are set out in the Directors' Remuneration Report. The schemes are as follows:

Scheme	Abbreviated name	Eligible participants
The International Personal Finance plc Company Share Option Plan	The CSOP	Executive directors and senior managers
The International Personal Finance plc Performance Share Plan	The Performance Share Plan	Executive directors and senior managers
The International Personal Finance plc Employee Savings-Related Share Option Scheme	The SAYE Scheme	Executive directors and UK employees

Details of awards made in 2010 are as follows:

Scheme	Date of grant	Number of shares	Exercise price (if any)	Normal exercise / vesting date
Performance Share Plan	23 Jul 2010	2,148,806	–	23 Jul 2013 – 22 Jul 2020*
Performance Share Plan	17 Sep 2010	32,804	–	17 Sep 2013 – 16 Sep 2020*
Performance Share Plan	20 Oct 2010	31,529	–	20 Oct 2013 – 19 Oct 2020*
CSOP	23 Jul 2010	504,560	208p	23 Jul 2013 – 22 Jul 2020*
CSOP	17 Sep 2010	33,294	270p	17 Sep 2013 – 16 Sep 2020*
CSOP	20 Oct 2010	9,894	303p	20 Oct 2013 – 19 Oct 2020*
SAYE Scheme	24 Aug 2010	59,409	233p	01 Oct 2013 – 31 Mar 2018**

Details of outstanding awards are as follows:

Scheme	Awards outstanding at 31 December 2009	Awards lapsed in 2010	Awards exercised / vested in 2010	Awards outstanding at 31 December 2010	Exercise price (if any)	Normal exercise / vesting date	Awards exercised / vested from 1 January to 25 February 2011
Performance Share Plan	2,796,546	(2,470,232)	–	2,539,453	–	20 Mar 2012 – 19 Oct 2020*	–
CSOP	–	(14,416)	–	533,332	208p – 303p	23 Jul 2013 – 19 Oct 2020*	–
SAYE Scheme	619,376	(110,851)	2,325	565,609	112p – 233p	01 Jun 2011 – 31 Mar 2018**	3,580

*Half of the awards that vest are not released for a further year.
**Vesting dates vary depending on whether the employee chose a three, five or seven-year savings contract.

The International Personal Finance plc Incentive Plan ended on 16 July 2010 when all outstanding awards lapsed.

Authority to purchase shares

The Company had authority to purchase up to 25,721,700 of its own shares until the earlier of the conclusion of the next AGM and 30 June 2011. No shares were purchased pursuant to this authority. Any ordinary shares so purchased may be cancelled or held in treasury. A further authority for the Company to purchase its own shares will be sought from shareholders at the AGM.

Other information continued

Interests in voting rights

As at 25 February 2011, the Company had been notified, pursuant to the Disclosure and Transparency Rules, of the following notifiable voting rights in its issued share capital. These holdings relate only to those institutions which have notified the Company of an interest in the issued share capital.

Name	Shares / voting rights	% of issued share capital	Nature of holding
Standard Life Investments Ltd	15,511,024	6.03	Direct / Indirect
FMR LLC	13,090,419	5.08	Indirect
FIL Limited	12,916,253	5.02	Indirect
JPMorgan Asset Management Holdings Inc.	12,887,361	5.01	Indirect
Marathon Asset Management LLP	12,841,168	5.01	Indirect
Schroders plc	12,287,572	4.77	Indirect
BlackRock, Inc.	11,670,102	4.54	Indirect
Old Mutual Asset Managers (UK) Ltd	10,844,167	4.22	Direct / Indirect
Legal & General Group Plc	9,890,889	3.84	Direct
Investec Asset Management Ltd	8,995,482	3.50	Indirect
Oppenheimer Funds Inc / Baring Asset Management Ltd	7,769,836	3.02	Indirect

Supplier policy statement

The Company agrees terms and conditions for its business transactions with suppliers and payment is made in accordance with these, subject to the terms and conditions being met by the supplier.

The Company acts as a holding company and had no trade creditors at 31 December 2010. The average number of days' credit taken by the Group during the year was 12 days (2009: seven days).

Key contracts and other arrangements

This information is given pursuant to Section 417(5)(c) of the Companies Act 2006. The trading subsidiaries have entered into contracts with their agents, who are self employed. (The exception to this is Hungary where agents are employed for regulatory reasons.) Agent agreements govern the relationship and the agents are remunerated primarily by what they collect.

Certain Group companies have entered into agreements with Fujitsu Services Limited, Mastek UK Limited, GTS Energis Sp. z o.o. and Metro Net S.A.P.I. in relation to IT services provided to the Group.

The Group's Hungarian subsidiary operates its credit granting activities under licence from PSZAF (the Hungarian Financial Supervisory Authority). The Group's Romanian subsidiary is monitored by the National Bank of Romania ('NBR') in its capacity as monitoring and supervising authority. It is licensed by the NBR and recorded in the General Registry of Non-Banking Financial Institutions.

Annual general meeting

The AGM will be held at 10.30 am on Wednesday, 11 May 2011 at International Personal Finance plc, Number Three, Leeds City Office Park, Meadow Lane, Leeds LS11 5BD. The Notice of Meeting, together with an explanation of the items of business, will be contained in the Chairman's letter to shareholders to be dated 22 March 2011.

Approved by the Board on 2 March 2011.

Rosamond Marshall Smith
General Counsel & Company Secretary

2 March 2011

Directors' Remuneration Report

Introduction

This is the Directors' Remuneration Report of International Personal Finance plc ('the Company') which has been prepared pursuant to, and in accordance with, Section 420 of the Companies Act 2006 ('the Companies Act') and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008. In accordance with Section 439 of the Companies Act, a resolution to approve this Report will be proposed at the annual general meeting ('AGM') of the Company to be held on 11 May 2011.

Unaudited information

The following information, comprising details of the Remuneration Committee, the statement of the Company's policy on directors' remuneration, the directors' service agreements and the performance graph, is unaudited.

The Remuneration Committee

Members

From 1 January 2010 to 12 May 2010, the Committee consisted of Tony Hales and Nick Page under the chairmanship of Ray Miles. On 12 May 2010 Ray Miles retired from the Board and so ceased to be Chairman of the Committee; on the same date Tony Hales became Chairman and John Lorimer became a member of the Committee.

Further details are set out in the report on the Remuneration Committee in the corporate governance statement.

Other matters

Following a competitive tender held in October 2010, the Committee reappointed Kepler Associates ('Kepler') as remuneration adviser. Kepler is independent and does not provide any other services to the Group. The Chief Executive Officer normally attends and speaks at meetings of the Committee (other than when his own remuneration or any matter relating to him is being considered). No director is involved in determining his / her own remuneration. The Company Secretary, Rosamond Marshall Smith, is Secretary to the Committee and attended the meetings of the Committee in 2010; as a solicitor she provides legal and technical support to the Committee. The Human Resources Director Helen Thornton also attended most of the meetings of the Committee and provides advice to the Committee.

Statement of the Company's policy on directors' remuneration

Key principles of the remuneration policy

The remuneration policy applied by the Committee:

- is cognisant of the need to attract, motivate and retain talent via remuneration at appropriate market levels; and
- recognises the need for prudence and effective risk management in its reward structures.

The remuneration policy is therefore founded on the following principles:

- target total remuneration reflecting effective performance will be around market median, based on an assessment of comparable positions from a cross-section of companies drawn from a combination of: relevant broad equity index, similar market capitalisation and broadly comparable sectoral profile;
- where performance has been demonstrated at a consistently high level, total remuneration above market median will be appropriate to attract and retain key talent;
- the fixed component of remuneration should be sufficient to allow for a fully flexible bonus plan; there will be no minimum bonus guarantees;
- flexible elements of total remuneration at executive director and senior management level are designed to ensure clear links to long-term performance, with suitably demanding targets aligned with the objective of creating sustainable shareholder value. This means that a significant proportion of bonus will be deferred, and all share-based incentives will be subject to an appropriate vesting period, as determined by the Remuneration Committee;

- no element of remuneration will be designed or applied in a way that is inconsistent with the Company's values and goals, or in a way that encourages the taking of inappropriate risk; and
- remuneration plans will be straightforward and easy to administer.

It is the Committee's policy to consult with major shareholders before making significant changes.

Annual salary, benefits and fees

As a result of the Chairman becoming non-executive in October 2008, his remuneration was reduced and his benefits were phased out over a period of time. With effect from 1 January 2010, his remuneration was £150,000 a year. His car was returned shortly before the end of the Company's lease in March 2010.

The executive directors' remuneration consists of a basic salary, an annual bonus (subject to performance conditions and with a deferred share element), participation in a long-term incentive plan and other benefits, including pension contributions. Following a review of the provision of cars in the UK, the Committee has determined that company cars will not be replaced at the end of their leases and directors / employees will receive a cash allowance instead. Long-term disability cover under the Company's permanent health policy and medical cover is provided for the executive directors and their immediate families. Benefits in kind are not pensionable.

The Committee normally reviews the executive directors' remuneration annually with effect from 1 January. For 2011 a review was carried out, taking into account market levels, individual performance and the absolute growth in the Company. The Chief Executive Officer's salary was increased by 6.7% to £480,000 and the Finance Director's salary was increased by 24% to £310,000. However, in the latter case, this was offset by a reduction in pension contribution from 30% to 20% of basic salary. The increase for the Finance Director reflected his continued performance in the role and the Committee's intention to bring his salary broadly into line with the market.

In carrying out the review the Committee took into account the pay and employment conditions within the Group.

The fees for the non-executive directors are fixed by the Board and are designed both to recognise the responsibilities of non-executive directors and to attract individuals with the necessary skills and experience. Their business expenses are reimbursed by the Company. Following a review of market trends, the basic non-executive fee was increased from £45,000 to £50,000 a year with effect from 1 March 2010. The Chairman of the Audit and Risk Committee receives an additional £15,000 and the Senior Independent Director / Chairman of the Remuneration Committee receives an additional £20,000 a year.

Bonuses

An annual bonus is payable to the executive directors, subject to satisfaction of performance conditions which include, where applicable, appropriate environmental, social and governance matters. During 2010 the executive directors were eligible for a bonus by reference to pre-tax profit and personal objectives, subject to a maximum of 100% of basic salary. A maximum of 60% of basic salary is payable by reference to the amount of pre-tax profit for 2010 with a maximum of 40% payable by reference to personal objectives. Awards for achievement of performance objectives will be expressed as a percentage of the award for profit and so will scale up or down according to the profit achievement. No bonus is payable unless a minimum profit threshold is achieved. The Chief Executive Officer had objectives relating to delivery of the budget and plan to 2014, achieving the necessary funding for the plan, strengthening and ensuring succession planning and three aspects of improving the business model. The Finance Director had objectives relating to change management, strengthening internal financial resource, achieving the necessary funding for the plan and key projects to improve systems and procedures.

The Committee proposes a slight amendment to the balance of the performance conditions used to calculate the bonus. For 2011 a balanced scorecard approach will be used whereby 50% of the bonus will be calculated on pre-tax profit performance and, subject always to a minimum profit threshold, the remaining 50% calculated against stretching performance objectives in the following areas: growth and development, culture and leadership, operational effectiveness, people, customer experience and brand and reputation.

For 2010 and subsequent years a new scheme was introduced for executive directors. The bonus is payable partly in cash, and partly in deferred shares which will vest at the end of a three-year period, subject to the director not being dismissed for misconduct. There are also provisions for clawback in the event of a restatement of the Company's accounts or material misjudgement of performance. The Committee believes that this deferral into shares strengthens the alignment with shareholders' interests. Bonuses do not form part of pensionable earnings. A similar scheme, at reduced opportunity levels, operates for the Senior Management Group and Group subsidiary directors. A shareholder consultation is being carried out relating to a proposal to add a matching element. Further details are set out below in the section: New policy on equity incentive schemes.

The Company in general meeting approved the International Personal Finance plc Deferred Share Plan ('the Deferred Share Plan') for this purpose on 12 May 2010.

Equity incentive schemes

In addition to the Deferred Share Plan, the Company currently operates three equity incentive schemes for directors and employees. These are:

- The International Personal Finance plc Performance Share Plan ('the Performance Share Plan');
- The International Personal Finance plc Company Share Option Plan ('the CSOP'), and
- The International Personal Finance plc Employee Savings-Related Share Option Scheme ('the SAYE Scheme').

The Performance Share Plan and the SAYE Scheme were put in place in June 2007 shortly before the demerger from Provident Financial plc ('PF') on 16 July 2007 and were individually approved by the shareholders of PF. The CSOP was approved by the Company in general meeting on 12 May 2010 and is designed to operate alongside the Performance Share Plan.

In addition, the Company operated The International Personal Finance plc Incentive Plan ('the Incentive Plan') for the Chairman (who was initially executive), the executive directors and some members of the Senior Management Group from the demerger until 16 July 2010 when all outstanding awards lapsed. No further awards can be made under the Incentive Plan.

The Performance Share Plan

Executive directors (with effect from July 2010) and senior management all participate in this plan. The policy is for annual awards of up to 100% and 75% of basic salary to be made to executive directors and senior managers respectively. The awards, generally made as nil cost options over a specific number of shares, will vest after a three-year performance period with vesting determined by absolute TSR performance targets and by employment conditions. No awards will vest if TSR growth is less than 30%. 33% of the award will vest if TSR growth is 30% and 100% will vest if TSR growth is 60%. If growth in TSR is between 30% and 60%, vesting will be on a straight-line basis. 50% of vested awards will be released after the end of the performance period, with 50% deferred for an additional 12 months. The Committee believes that absolute TSR is a simple and objective measure of shareholder value creation and appropriate for the Company, given the lack of comparable listed companies. In addition to meeting the TSR target, for any shares to vest the Committee will need to satisfy itself that the absolute TSR performance is a fair reflection of performance, specifically with regard to the Company's TSR relative to the median TSR of the FTSE 250.

The CSOP

The CSOP is an HM Revenue & Customs approved scheme. The use of these options may enable part of a UK-based executive's rewards from share plans to be received with relief from income tax and national insurance contributions within the thresholds permitted by HM Revenue & Customs, which allows options over shares with a value of £30,000 at the time of option grant to be held by an individual under the CSOP at any time. Where an individual who receives CSOP share options also participates in an award made under the Performance Share Plan, the award under the Performance Share Plan is scaled back appropriately to reflect the grant of CSOP share options, and grants made under both plans have the same performance conditions for vesting.

Directors' Remuneration Report continued

The SAYE Scheme

The executive directors (together with other UK Group employees) may participate in the SAYE Scheme, which has been approved by HM Revenue & Customs. Participants save a fixed sum each month for three or five years and may use these funds to purchase shares after three, five or seven years. The exercise price is fixed at up to 20% below the market value of the shares at the date directors and employees are invited to participate in the scheme. Up to £250 can be saved each month. This scheme does not contain performance conditions as it is an HM Revenue & Customs approved scheme open to employees at all levels.

New policy on equity incentive schemes

The Committee has carried out a review of the current equity incentive schemes, both as regards their operation and whether grant levels, performance criteria and vesting schedules remain appropriate to the Company's current circumstances and prospects. As a result of this review it is proposed, subject to shareholder approval, to add a matching element to the Deferred Share Plan. The match would be one-for-one for executive directors and one-for-three for the Senior Management Group. Matching awards will only vest to the extent the performance condition is satisfied. It is proposed to use growth in TSR on the same basis used for the Performance Share Plan. Further details are contained in the Chairman's letter to shareholders that will accompany the Notice of AGM. It is proposed that, if approved by shareholders, the first matching awards would be made in 2012.

Service agreements

Executive directors' service agreements provide for both the Company and the director to give one year's notice. No director has a service agreement containing a liquidated damages clause on termination; in the event of the termination of an agreement, the Company seeks mitigation of loss by the director concerned and aims to ensure that any payment made is the minimum which is commensurate with the Company's legal obligations.

Other directorships

The Company will normally permit a full-time executive director to hold one non-executive directorship and to retain the fee from that appointment, subject to the prior approval of the Board. No executive director currently holds such a position.

Shareholding policy

Directors and senior managers are expected to acquire over a five-year period from 1 January 2011 (or from appointment) a beneficial shareholding as follows:

Category	Number of shares
Chairman	45,000
Chief Executive Officer	250,000
Other executive directors	150,000
Non-executive directors	15,000
Senior Management Group	40,000
Other senior managers (dependent on seniority)	12,000 / 6,000

Senior management remuneration

The Committee also determines the structure and level of pay of the Senior Management Group and Company Secretary. Half of the Senior Management Group currently have salaries ranging from £145,000 to £150,000 and half have salaries ranging from £150,001 to £195,000.

Details of directors' service agreements

Re-election of directors

At the AGM, all of the directors will be offering themselves for re-election.

Chairman

Christopher Rodrigues has a letter of appointment with the Company dated 4 January 2010, terminable on three months' notice from him or the Company. There are no provisions for compensation payable on early termination.

Executive directors

John Harnett has a service agreement dated 19 June 2007, as varied on 22 October 2008 and 11 December 2009. David Broadbent has a service agreement dated 21 June 2007, as varied on 11 December 2009 and in December 2010.

Each of these service agreements is terminable upon one year's notice from the relevant director or the Company and will automatically terminate when the relevant director reaches normal retirement age (65). There are no provisions for compensation payable on early termination. However, in the event that a director is not re-elected at an AGM of the Company, the agreement is automatically terminated and this is treated as a breach by the Company.

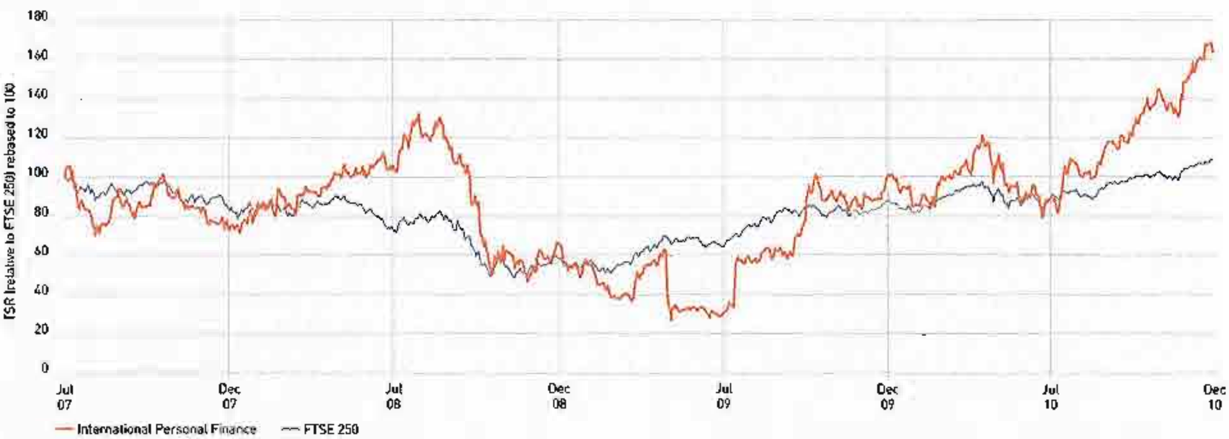
Non-executive directors

Each director has been appointed for three years, subject to re-election by shareholders. The initial three-year period may be extended. The Company can terminate the appointment on three months' notice.

Charles Gregson has a letter of appointment dated 12 June 2007 (as amended by a letter dated 12 May 2010) and has been appointed until 30 June 2011. It is currently proposed to extend the term to a date no later than May 2012. Tony Hales and Nick Page each has a letter of appointment dated 12 June 2007 (as amended by a letter dated 12 May 2010) and has been appointed until 30 June 2013. Edyta Kurek has a letter of appointment dated 15 February 2010 and has been appointed until 28 February 2013. John Lorimer has a letter of appointment dated 12 May 2010 and has been appointed until 30 May 2013.

Performance graph

The graph below compares the total shareholder return of the Company with the companies comprising the FTSE 250 Index. This index was chosen for comparison because the Company is a member of this index and has been for almost all of the time since its shares were listed on 16 July 2007.



Audited information

The following information, comprising details of the directors' remuneration, directors' pension provision, the Group's equity incentive schemes and compensation for a past director, is audited in accordance with the requirements of the Companies Act 2006.

Directors' Remuneration Report

Directors' Remuneration Report continued

Directors' remuneration

Remuneration

The directors' remuneration for 2010 amounted to £1,564,000 (2009: £1,482,000) analysed as follows:

Director's name	Salary £000	Bonus £000	Benefits £000	Fees £000	2010 Total £000	2009 Total £000
Christopher Rodrigues	150	–	3	–	153	274
John Harnett	450	120	18	–	588	479
David Broadbent	250	68	32	–	350	282
Charles Gregson	–	–	–	49	49	45
Tony Hales	–	–	–	62	62	45
Edyta Kurek*	–	–	–	44	44	–
John Lorimer**	–	–	–	32	32	–
Nicholas Page	–	–	–	64	64	60
Ray Miles†	–	–	–	33	33	97
Craig Shannon‡	179	–	10	–	189	200
Total	**1,029**	**188**	**63**	**284**	**1,564**	**1,482**

*Edyta Kurek was appointed as a director on 15 February 2010.
**John Lorimer was appointed as a director on 12 May 2010.
†Ray Miles ceased to be a director on 12 May 2010.
‡Craig Shannon ceased to be a director on 6 August 2010. Further details in relation to him are set out below in the section: Compensation for a past director.

John Harnett has been awarded a bonus of £360,450 constituting 80.10% of his 2010 basic salary. Of this, 49.97% was payable by reference to pre-tax profit of the Group for 2010 and 30.13% was payable by reference to personal objectives.

David Broadbent has been awarded a bonus of £202,750 constituting 81.10% of his 2010 basic salary. Of this, 49.97% was payable by reference to pre-tax profit of the Group for 2010 and 31.13% was payable by reference to personal objectives.

Details of objectives are set out above in the section: Statement of the Company's policy on directors' remuneration: bonuses. Two thirds of the bonuses will be deferred into shares under the Deferred Share Plan, thus only the cash element is shown above.

Incentive Plan

Awards

Awards under the Incentive Plan are shown below. All awards lapsed during the year as the performance condition was not met.

Director's name	Awards held at 31 Dec 2009	Awards lapsed on 16 July 2010	Awards held at 31 Dec 2010	Performance condition period	Market price of shares at date of grant (p)
Christopher Rodrigues	0.6%	(0.6%)	–	16 Jul 2007 – 15 Jul 2010	250
John Harnett	0.6%	(0.6%)	–	16 Jul 2007 – 15 Jul 2010	250
	0.1%	(0.1%)	–	16 Jul 2007 – 15 Jul 2010	156
David Broadbent	0.4%	(0.4%)	–	16 Jul 2007 – 15 Jul 2010	250

Notes to awards

The awards potentially made available to participants, and thus are shown as, a percentage of the earned value pool at the end of the performance period. The total of this pool could have been up to 3% of the total return to shareholders in the performance condition period.

Performance Share Plan

Awards

Awards made under the Performance Share Plan to present and former executive directors are as follows:

Director's name	Awards held at 31 Dec 2009	Awards made in 2010	Date of award	Awards lapsed in 2010	Awards held at 31 Dec 2010	Performance condition period	Exercise period	Market price of shares at date of grant (p)
David Broadbent	–	116,735	23 Jul 2010	–	116,735	23 Jul 2010 – 22 Jul 2013	23 Jul 2013 – 22 Jul 2020	221
John Harnett	–	212,843	23 Jul 2010	–	212,843	23 Jul 2010 – 22 Jul 2013	23 Jul 2013 – 22 Jul 2020	221
Craig Shannon	105,140	–	–	–	105,140	16 Dec 2009 – 15 Dec 2012	16 Dec 2012 – 15 Dec 2019	214
	–	140,762	23 Jul 2010	(140,762)	–	23 Jul 2010 – 22 Jul 2013	23 Jul 2013 – 22 Jul 2020	221

Notes to awards

The awards are nil cost options to acquire shares for £nil consideration. No consideration is payable on the grant of an option. 33% of the award will vest if TSR growth is 30% and 100% will vest if TSR growth is 60%. If growth in TSR is between 30% and 60%, vesting will be on a straight-line basis. 50% of the award may be exercised after the end of the performance period with the other 50% exercisable after a further year.

There were no changes in the interests of directors under the Performance Share Plan between 31 December 2010 and 25 February 2011.

Further details relating to Craig Shannon are set out below in the section: Compensation for a past director.

There have been no variations in the terms and conditions of plan interests during the year.

The mid-market closing price of the Company's shares on 31 December 2010 was 384 pence and the range during 2010 was 183 pence to 385 pence.

The CSOP

Awards

Awards made under the CSOP to present and former executive directors are as follows:

Director's name	Date of award	Awards made in 2010	Awards lapsed in 2010	Awards held at 31 Dec 2010	Performance condition period	Exercise period	Exercise price (p)	Market price of shares at date of grant (p)
David Broadbent	23 Jul 2010	14,416	–	14,416	23 Jul 2010 – 22 Jul 2013	23 Jul 2013 – 22 Jul 2020	208	221
John Harnett	23 Jul 2010	14,416	–	14,416	23 Jul 2010 – 22 Jul 2013	23 Jul 2013 – 22 Jul 2020	208	221
Craig Shannon	23 Jul 2010	14,416	(14,416)	–	23 Jul 2010 – 22 Jul 2013	23 Jul 2013 – 22 Jul 2020	208	221

Notes to awards

The awards are market value options to acquire shares for market value at the date of grant. No consideration is payable on the grant of an option. 33% of the award will vest if TSR growth is 30% and 100% will vest if TSR growth is 60%. If growth in TSR is between 30% and 60%, vesting will be on a straight-line basis. 50% of the award may be exercised after the end of the performance period with the other 50% exercisable after a further year.

There were no changes in the interests of the directors under the CSOP between 31 December 2010 and 25 February 2011.

There have been no variations in the terms and conditions of plan interests during the year.

The mid-market closing price of the Company's shares on 31 December 2010 was 384 pence and the range during 2010 was 183 pence to 385 pence.

The SAYE Scheme

Award

The award held under the SAYE Scheme is as follows:

Director's name	Awards held at 31 Dec 2009	Awards made in 2010	Awards held at 31 Dec 2010	Normal exercisable dates	Exercise price (p)	Market price at date of grant (p)
David Broadbent	8,936	–	8,936	1 Jun 2013 - 1 Dec 2013	188	228

Notes to award

No consideration is payable on the grant of an option.

There were no changes in the interests of the director under the SAYE Scheme between 31 December 2010 and 25 February 2011.

There have been no variations in the terms and conditions of scheme interests during the year.

The mid-market closing price of the Company's shares on 31 December 2010 was 384 pence and the range during 2010 was 183 pence to 385 pence.

Pensions and life assurance

Background

In order to provide continuity of benefits for employees, the Company established two pension schemes which broadly mirrored those operated by PF at the demerger date. These are the International Personal Finance plc Pension Scheme ('the Pension Scheme') and the International Personal Finance Stakeholder Pension Scheme ('the Stakeholder Scheme'). Since the demerger date, new employees have been eligible to join the Stakeholder Scheme. One director had a defined contribution arrangement. One director became a deferred member of the Pension Scheme in 2008 (so that he does not accrue any further benefits but his benefits are increased to take account of inflation) and then had a defined contribution arrangement.

Pensions review

Following a consultation with members of the Pension Scheme, on 1 March 2010 the Pension Scheme was closed to future accrual and all the active members became deferred members. They were offered membership of the Stakeholder Scheme with effect from 1 March. It was also decided by the Committee that the standard rate of company contribution for any executive director should be 20% of basic salary, but that existing executive directors already receiving higher contributions should continue to do so unless and until it became appropriate to make a change.

Existing schemes

The Pension Scheme is a defined benefit scheme with two sections: cash balance and final salary. The Company will continue to fund the cash balance pension pot or final salary built up by members up to 28 February 2010. Benefits will increase from 1 March 2010 until normal retirement date broadly in line with inflation up to a maximum of 5% a year. The Stakeholder Scheme will continue to be managed by Legal & General Assurance Society Limited. Employees contribute a minimum of 5% and the Company contributes a percentage of basic salary, depending on the employee's seniority.

Chief Executive Officer

John Harnett has a defined contribution personal pension arrangement. He has life assurance benefit of four times salary at date of death. The Company contributes 25% of his basic salary to his pension arrangements.

The Company's contributions in respect of John Harnett during 2010 (including the cost of the life insurance) amounted to £114,533.

Finance Director

David Broadbent was a member of the final salary section of the Pension Scheme until 1 April 2006 when he began to accrue benefits as a member of the cash balance section. He ceased to be a member of the cash balance section on 31 July 2008 and became a deferred member of the Pension Scheme.

Details of David Broadbent's entitlements under both sections of the Pension Scheme are as follows:

Final salary	£
Accrued pension at 31 December 2010	13,020
Accrued pension at 31 December 2009	13,205
Increase in accrued pension during the year (net of inflation)	–
Transfer value of net increase in accrual over period	–
Transfer value of accrued pension at 31 December 2010	114,654
Transfer value of accrued pension at 31 December 2009	170,589
Total change in transfer value during the period (net of director's contributions)	(55,935)
Director's contributions in 2010	–

Cash Balance	£
Accrued cash balance lump sum at 31 December 2010	92,817
Accrued cash balance lump sum at 31 December 2009	94,135
Increase in cash balance lump sum during the year (net of inflation)	–
Transfer value at 31 December 2010	35,736
Transfer value at 31 December 2009	60,910
Total change in transfer value during the period (net of director's contributions)	(25,174)
Director's contributions in 2010	–

David Broadbent was age 42 at the end of the year.

David Broadbent now has a defined contribution personal pension arrangement. He has life assurance benefit of four times salary at date of death. In 2010 the Company contributed 30% of his basic salary to his pension arrangements. The Company's contributions in respect of David Broadbent during 2010 (including the cost of the life insurance) amounted to £76,130. For 2011, the Company will contribute 20% of his basic salary to his pension arrangements.

Other

The former director Craig Shannon was a member of the Scheme from 1 March 2010. The Company's contributions up to 6 August 2010 were £28,508. He also received £46,399 as a pension supplement; of this, £38,000 was accrued in 2009 whilst the Company carried out a pensions review.

Compensation for a past director

Craig Shannon ceased to be a director of the Company on 6 August 2010 and ceased to be an employee on 31 December 2010 ('the Termination Date'). Between 6 August and the Termination Date he was paid £120,769 in salary, £6,441 in car allowance, £23,057 in respect of pension contributions and he received non-cash benefits to the value of £2,713.

Following the Termination Date, pursuant to the compromise agreement made between the Company and Craig Shannon:

- he was paid £66,098 as compensation for loss of employment;
- he was paid £10,385 in accrued holiday pay in respect of 2010;

Directors' Remuneration Report

Directors' Remuneration Report continued

- he is being paid £174,078 as a payment in lieu of notice, payable in seven monthly instalments up until 15 July 2011 ('the Payment'); and
- pension contributions are being made for him by the Company into the Stakeholder Scheme of £3,000 a month until 5 April 2011 and thereafter a further pension contribution of £44,030 will be made, payable in four instalments by the Company between 1 May and 31 August 2011 ('the Pension Payment'). He has the option to elect to take the £44,030 as a cash sum payable in four instalments.

If Craig Shannon obtains employment before 7 August 2011 the Payment and the Pension Payment will be reduced by reference to the gross amount of earnings from that employment.

The Remuneration Committee exercised its discretion to permit Craig Shannon to retain the award over 105,140 shares granted to him under the Performance Share Plan in December 2009. The performance condition will be applied in the usual way in December 2012 but the number of shares which vest will be time prorated so that a maximum of 44% of the original award may vest. He may exercise his award over half of any shares that vest within 12 months of December 2012 and over the remaining half within 12 months of December 2013.

Given that Craig Shannon was entitled to a year's notice from the Company, the Committee considers that the compensation represented a fair settlement of the Company's contractual and statutory obligations and takes account of his duty to mitigate.

Approved by the Board on 2 March 2011.

Rosamond Marshall Smith
General Counsel & Company Secretary

2 March 2011

Independent assurance report

to the directors of International Personal Finance plc on selected performance information

We have been engaged by the directors of International Personal Finance plc ('the Company') to perform an independent assurance engagement in respect of selected key performance indicators (hereafter 'Selected Information') in the International Personal Finance plc Annual Report and Financial Statements for the year ended 31 December 2010.

The Selected Information for the year ended 31 December 2010 subject to limited assurance is presented on pages 38 to 41 and marked with ▲. It consists of the following:

- customer numbers;
- customer retention;
- agent numbers;
- agent retention;
- credit exceptions; and
- Customer Service Score.

We also assured the restatement of the 31 December 2009 data for customer retention. This was performed based on new criteria defined. This information can be found on pages 38 to 41 and marked with ▲.

Assurance work performed

We conducted this limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' ('ISAE 3000') issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

Our limited assurance procedures included:

- making enquiries of relevant management of the Company, including the Senior Management Group, and reviewing a sample of relevant management information including reports to the Senior Management Group;
- evaluating the design and implementation of the key processes and controls for managing and reporting the Selected Information, including controls over third party information where applicable;
- limited testing, on a selective basis at central and country level, of the preparation and collation of the Selected Information prepared by the Company;
- reviewing internal audit reports where the terms of reference and / or findings are relevant to the Selected Information; and
- undertaking analytical procedures over the reported data.

Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable preparation techniques which can result in materially different results and can impact comparability. Furthermore, the nature and methods used to determine such information, as well as the criteria may change over time. It is important to read the Selected Information in the context of the Basis of Preparation at www.ipfin.co.uk/cr/basisofreporting.

The Customer Service Score results rely on information from a customer interview programme; in one country interviews are conducted by a third party organisation. Our assurance work has not included an examination of the interview exercises or the information provided by the customers.

Conclusion

Based on the results of the assurance work performed, nothing has come to our attention that causes us to believe that, for the year ended 31 December 2010, the Selected Information has not been prepared, in all material respects, in accordance with the Company's Basis of Preparation.

PricewaterhouseCoopers LLP
Chartered Accountants
Edinburgh
2 March 2011

Respective responsibilities of the directors and PricewaterhouseCoopers LLP

The directors are responsible for the preparation of the Selected Information in accordance with the criteria set out in the Company's 'Basis of Preparation' (see www.ipfin.co.uk/cr/basisofreporting), and for the development of the criteria.

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention to indicate that the Selected Information has not been prepared, in all material respects, in accordance with the Company's Basis of Preparation.

This report, including the conclusion, has been prepared for the directors of the Company as a body, to assist the directors in reporting the Company's performance. We permit the disclosure of this report within the Annual Report and Financial Statements for the year ended 31 December 2010, to enable the directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors as a body and the Company for our work on this report save where terms are expressly agreed and with our prior consent in writing.

Independent auditors' report
to the members of International Personal Finance plc

We have audited the Financial Statements of International Personal Finance plc for the year ended 31 December 2010 which comprise the consolidated income statement, statements of comprehensive income, balance sheets, statements of changes in equity, cash flow statements, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the section, Directors' responsibilities in relation to the financial statements in the corporate governance statement, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Financial Statements.

Opinion on Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2010 and of the Group's profit and the Group's and Parent Company's cash flows for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the corporate governance statement on page 69 with respect to internal control and risk management systems and about share capital structures on page 71 is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Parent Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 59, in relation to going concern; and
- the parts of the corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Lindsay Gardiner (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

2 March 2011

Consolidated income statement
for the year ended 31 December

Group	Notes	2010 Pre-exceptional items £m	Exceptional items £m	2010 £m	2009 £m
Revenue*	1	608.7	–	608.7	550.2
Impairment	1	(168.1)	–	(168.1)	(164.3)
Revenue less impairment		440.6	–	440.6	385.9
Finance costs	2	(33.9)	(6.8)	(40.7)	(30.9)
Other operating costs		(93.7)	–	(93.7)	(86.0)
Administrative expenses		(220.9)	2.9	(218.0)	(207.3)
Total costs		(348.5)	(3.9)	(352.4)	(324.2)
Profit before taxation – continuing operations		92.1	(3.9)	88.2	61.7
Tax income / (expense) – UK		0.9	(0.8)	0.1	(3.8)
– overseas		(30.7)	1.6	(29.1)	(12.3)
Total tax (expense) / income	5	(29.8)	0.8	(29.0)	(16.1)
Profit after taxation – continuing operations		62.3	(3.1)	59.2	45.6
Loss after taxation – discontinued operations	11	–	–	–	(12.8)
Profit after taxation attributable to owners of the parent		62.3	(3.1)	59.2	32.8

*All amounts included in revenue are defined as finance income under IFRS 7.

Group	Notes	2010 pence	2009 pence
Earnings per share – continuing operations			
Basic	6	23.34	17.78
Diluted	6	23.09	17.67

Group	Notes	2010 pence	2009 pence
Earnings per share – total			
Basic	6	23.34	12.78
Diluted	6	23.09	12.70

Statements of comprehensive income
for the year ended 31 December

		Group		Company	
	Notes	2010 £m	2009 £m	2010 £m	2009 £m
Profit / (loss) after taxation attributable to owners of the parent		**59.2**	32.8	**(9.5)**	(7.1)
Other comprehensive income					
Exchange gains / (losses) on foreign currency translations		**0.7**	(16.2)	**–**	–
Net fair value gains – cash flow hedges		**4.1**	1.5	**–**	–
Actuarial gains / (losses) on retirement benefit obligation	25	**0.8**	(5.9)	**0.1**	(1.3)
Tax (charge) / credit on items taken directly to equity	5	**(2.2)**	1.3	**–**	0.4
Other comprehensive income / (expense) net of taxation		**3.4**	(19.3)	**0.1**	(0.9)
Total comprehensive income / (expense) for the year attributable to owners of the parent		**62.6**	13.5	**(9.4)**	(8.0)

The accounting policies and notes 1 to 31 are an integral part of these Consolidated Financial Statements.

Balance sheets
as at 31 December

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Assets					
Non-current assets					
Intangible assets	12	**6.8**	11.4	**–**	–
Investment in subsidiaries	13	**–**	–	**666.7**	666.2
Property, plant and equipment	14	**35.7**	39.5	**–**	–
Deferred tax assets	15	**48.5**	46.5	**0.3**	1.0
		91.0	97.4	**667.0**	667.2
Current assets					
Amounts receivable from customers:					
– due within one year		**558.8**	514.9	**–**	–
– due in more than one year		**8.1**	10.7	**–**	–
	16	**566.9**	525.6	**–**	–
Derivative financial instruments	22	**–**	–	**–**	2.6
Cash and cash equivalents	17	**23.5**	31.2	**0.8**	0.5
Current tax asset		**–**	–	**3.4**	0.4
Other receivables	18	**21.3**	16.3	**275.4**	115.8
		611.7	573.1	**279.6**	119.3
Total assets		**702.7**	670.5	**946.6**	786.5
Liabilities					
Current liabilities					
Borrowings	20	**(19.5)**	(111.6)	**(10.1)**	(39.2)
Derivative financial instruments	22	**(4.5)**	(7.9)	**–**	(2.3)
Trade and other payables	19	**(55.9)**	(47.1)	**(134.1)**	(71.9)
Current tax liabilities		**(25.7)**	(15.6)	**–**	–
		(105.6)	(182.2)	**(144.2)**	(113.4)
Non-current liabilities					
Retirement benefit obligation	25	**(3.3)**	(7.5)	**(0.8)**	(1.6)
Borrowings	20	**(284.8)**	(221.0)	**(215.4)**	(62.4)
		(288.1)	(228.5)	**(216.2)**	(64.0)
Total liabilities		**(393.7)**	(410.7)	**(360.4)**	(177.4)
Net assets		**309.0**	259.8	**586.2**	609.1
Equity attributable to owners of the parent					
Ordinary shares	27	**25.7**	25.7	**25.7**	25.7
Other reserve		**(22.5)**	(22.5)	**226.3**	226.3
Foreign exchange reserve		**42.2**	41.5	**–**	–
Hedging reserve		**(2.7)**	(5.0)	**–**	0.1
Shares held by employee trust		**(5.7)**	(5.7)	**(5.7)**	(5.7)
Retained earnings		**272.0**	225.8	**339.9**	362.7
Total equity		**309.0**	259.8	**586.2**	609.1

The accounting policies and notes 1 to 31 are an integral part of these Consolidated Financial Statements.

The Financial Statements comprising the consolidated income statement, statements of comprehensive income, Group and Parent Company balance sheets, statements of changes in equity and cash flow statements, the accounting policies and notes 1 to 31 were approved by the Board on 2 March 2011 and were signed on its behalf by:

John Harnett
Chief Executive Officer

David Broadbent
Finance Director

Statements of changes in equity

Group – Attributable to owners of the parent	Called-up share capital £m	Other reserve £m	Foreign exchange reserve £m	Hedging reserve £m	Shares held by employee trust £m	Retained earnings £m	Total equity £m
At 1 January 2009	25.7	(22.5)	57.7	(6.1)	(5.7)	209.7	258.8
Comprehensive income:							
Profit after taxation for the year	–	–	–	–	–	32.8	32.8
Other comprehensive income:							
Exchange losses on foreign currency translation	–	–	(16.2)	–	–	–	(16.2)
Net fair value gains – cash flow hedges	–	–	–	1.5	–	–	1.5
Actuarial losses on retirement benefit obligation	–	–	–	–	–	(5.9)	(5.9)
Tax (charge) / credit on items taken to equity	–	–	–	(0.4)	–	1.7	1.3
Total other comprehensive (expense) / income	–	–	(16.2)	1.1	–	(4.2)	(19.3)
Total comprehensive (expense) / income for the year	–	–	(16.2)	1.1	–	28.6	13.5
Transactions with owners:							
Share-based payment adjustment to reserves	–	–	–	–	–	2.0	2.0
Dividends paid to Company shareholders	–	–	–	–	–	(14.5)	(14.5)
At 31 December 2009	25.7	(22.5)	41.5	(5.0)	(5.7)	225.8	259.8
At 1 January 2010	**25.7**	**(22.5)**	**41.5**	**(5.0)**	**(5.7)**	**225.8**	**259.8**
Comprehensive income:							
Profit after taxation for the year	–	–	–	–	–	**59.2**	**59.2**
Other comprehensive income:							
Exchange gains on foreign currency translation	–	–	**0.7**	–	–	–	**0.7**
Net fair value gains – cash flow hedges	–	–	–	**4.1**	–	–	**4.1**
Actuarial gains on retirement benefit obligation	–	–	–	–	–	**0.8**	**0.8**
Tax charge on items taken to equity	–	–	–	**(1.8)**	–	**(0.4)**	**(2.2)**
Total other comprehensive income	–	–	**0.7**	**2.3**	–	**0.4**	**3.4**
Total comprehensive income for the year	–	–	**0.7**	**2.3**	–	**59.6**	**62.6**
Transactions with owners:							
Share-based payment adjustment to reserves	–	–	–	–	–	**1.7**	**1.7**
Dividends paid to Company shareholders	–	–	–	–	–	**(15.1)**	**(15.1)**
At 31 December 2010	**25.7**	**(22.5)**	**42.2**	**(2.7)**	**(5.7)**	**272.0**	**309.0**

Statements of changes in equity continued

Company – Attributable to owners of the parent	Called-up share capital £m	Other reserve £m	Hedging reserve £m	Shares held by employee trust £m	Retained earnings £m	Total equity £m
At 1 January 2009	25.7	226.3	0.1	(5.7)	383.2	629.6
Comprehensive income:						
Loss after taxation for the year	–	–	–	–	(7.1)	(7.1)
Other comprehensive income:						
Actuarial losses on retirement benefit obligation	–	–	–	–	(1.3)	(1.3)
Tax credit on items taken to equity	–	–	–	–	0.4	0.4
Total other comprehensive expense	–	–	–	–	(0.9)	(0.9)
Total comprehensive expense for the year	–	–	–	–	(8.0)	(8.0)
Transactions with owners:						
Share-based payment adjustment to reserves	–	–	–	–	2.0	2.0
Dividends paid to Company shareholders	–	–	–	–	(14.5)	(14.5)
At 31 December 2009	25.7	226.3	0.1	(5.7)	362.7	609.1
At 1 January 2010	**25.7**	**226.3**	**0.1**	**(5.7)**	**362.7**	**609.1**
Comprehensive income:						
Loss after taxation for the year	–	–	–	–	**(9.5)**	**(9.5)**
Other comprehensive income:						
Actuarial gains on retirement benefit obligation	–	–	–	–	**0.1**	**0.1**
Tax charge on items taken to equity	–	–	**(0.1)**	–	–	**(0.1)**
Total other comprehensive (expense) / income	–	–	**(0.1)**	–	**0.1**	–
Total comprehensive expense for the year	–	–	**(0.1)**	–	**(9.4)**	**(9.5)**
Transactions with owners:						
Share-based payment adjustment to reserves	–	–	–	–	**1.7**	**1.7**
Dividends paid to Company shareholders	–	–	–	–	**(15.1)**	**(15.1)**
At 31 December 2010	**25.7**	**226.3**	–	**(5.7)**	**339.9**	**586.2**

The other reserve represents the difference between the nominal value of the shares issued when the Company became listed on 16 July 2007 and the fair value of the subsidiary companies acquired in exchange for this share capital.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company income statement. The loss after taxation of the Parent Company for the period was £9.5m (2009: loss of £7.1m).

The accounting policies and notes 1 to 31 are an integral part of these Consolidated Financial Statements.

Cash flow statements
for the year ended 31 December

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Cash flows from operating activities					
Continuing operations					
Cash generated from / (used in) operations	28	**97.3**	122.1	**97.1**	(28.2)
Established businesses		**93.8**	155.7	**97.1**	(28.2)
Start-up businesses		**3.5**	(33.6)	**–**	–
		97.3	122.1	**97.1**	(28.2)
Finance costs paid		**(35.7)**	(32.6)	**(10.1)**	(6.3)
Finance income received		**–**	–	**18.4**	3.9
Income tax paid		**(22.6)**	(14.6)	**–**	(3.1)
Discontinued operations		**–**	(8.6)	**–**	–
Net cash generated from / (used in) operating activities		**39.0**	66.3	**105.4**	(33.7)
Cash flows from investing activities					
Continuing operations					
Purchases of property, plant and equipment	14	**(10.6)**	(7.9)	**–**	–
Proceeds from sale of property, plant and equipment		**2.9**	2.9	**–**	–
Purchases of intangible assets	12	**(0.5)**	(1.9)	**–**	–
Discontinued operations		**–**	1.0	**–**	–
Net cash used in investing activities		**(8.2)**	(5.9)	**–**	–
Net cash from operating and investing activities					
Established businesses		**42.5**	109.0	**105.4**	(33.7)
Start-up businesses		**(11.7)**	(41.0)	**–**	–
Discontinued operations		**–**	(7.6)	**–**	–
		30.8	60.4	**105.4**	(33.7)
Cash flows from financing activities					
Continuing operations					
Proceeds from borrowings		**275.6**	–	**2.1**	48.0
Repayment of borrowings		**(298.5)**	(72.6)	**(92.1)**	–
Dividends paid to Company shareholders	7	**(15.1)**	(14.5)	**(15.1)**	(14.5)
Net cash (used in) / generated from financing activities		**(38.0)**	(87.1)	**(105.1)**	33.5
Net (decrease) / increase in cash and cash equivalents		**(7.2)**	(26.7)	**0.3**	(0.2)
Cash and cash equivalents at beginning of year		**31.2**	62.2	**0.5**	0.7
Exchange losses on cash and cash equivalents		**(0.5)**	(4.3)	**–**	–
Cash and cash equivalents at end of year	17	**23.5**	31.2	**0.8**	0.5

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Cash and cash equivalents at end of year comprise:					
Cash at bank and in hand	17	**23.5**	31.2	**0.8**	0.5

The accounting policies and notes 1 to 31 are an integral part of these Consolidated Financial Statements.

Accounting policies

Basis of preparation

The Consolidated Group and Parent Company Financial Statements of International Personal Finance plc and its subsidiaries ('IPF' or the 'Group') have been prepared in accordance with European Union endorsed International Financial Reporting Standards ('IFRSs'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but do not have any impact on the Group:

IFRS 1 (revised) 'First-time adoption'

IFRS 2 (amendment) 'Group cash-settled share-based payment transactions'

IFRS 3 (revised), 'Business combinations'

IFRS 5 (amendment) 'Non-current assets held for sale and discontinued operations'

IFRIC 18 'Transfers of assets from customers'

IAS 1 (amendment) 'Presentation of Financial Statements'

IAS 38 (amendment) 'Intangible assets'

IAS 36 (amendment) 'Impairment of assets'

IAS 27 (revised) 'Consolidated and separate Financial Statements'

IFRIC 17 'Distributions of non-cash assets to owners'

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

IFRS 1 (amendment) 'Hyperinflation and fixed dates'

IFRS 7 (amendment) 'Financial instruments disclosures'

IFRS 9 'Financial instruments'. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The Group is in the process of assessing IFRS 9's full impact.

IAS 12 (amendment) 'Income Taxes'

IAS 24 (revised) 'Related party disclosures'

IAS 32 (amendment) 'Classification of rights issues'

IFRIC 14 (amendment) 'Prepayments of a minimum funding requirement'

IFRIC 19 'Extinguishing financial liabilities with equity instruments'

Accounting convention

The Consolidated Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments at fair value. The principal accounting policies, which have been applied consistently, are set out in the following paragraphs.

Consolidation

These consolidated Financial Statements include the financial results of all companies which are controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. All companies are 100% owned by IPF plc Group companies. A list of the principal subsidiaries in the Group is included within note 13.

Finance costs

Finance costs comprise the interest on external borrowings which are recognised on an effective interest rate ('EIR') basis, and gains or losses on derivative contracts taken to the income statement.

Segment reporting

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Board. This information is geographical. A geographical segment is a component of the Group that operates within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Revenue

Revenue, which excludes value added tax and intra-Group transactions, comprises revenue earned on amounts receivable from customers. Revenue on customer receivables is calculated using an EIR. The EIR is calculated using estimated cash flows, being contractual payments adjusted for the impact of customers paying early but excluding the anticipated impact of customers paying late or not paying at all.

Directly attributable issue costs are also taken into account in calculating the EIR. Interest income continues to be accrued on impaired receivables using the original EIR applied to the loan's carrying value.

The accounting for amounts receivable from customers is considered further below.

Leases

The leases entered into by the Group are solely operating leases. Costs in respect of operating leases are charged to the income statement on a straight-line basis over the lease term.

Other operating costs

Other operating costs include agent commission, marketing costs and foreign exchange gains and losses. All other costs are included in administrative expenses.

Share-based payments

The cost of providing share-based payments to employees is charged to the income statement over the vesting period of the award. The corresponding credit is made to retained earnings. The cost is based on the fair value of awards granted, determined using a Monte Carlo simulation option pricing model or binomial option pricing model depending on the type of award.

In the Parent Company Financial Statements, in accordance with IFRIC 11 'IFRS 2 Group and treasury share transactions', the fair value of providing share-based payments to employees of subsidiary companies is treated as an increase in the investment in subsidiaries.

Exceptional items

The Group classifies as exceptional those significant items that are one-off in nature and do not reflect the underlying performance of the Group.

Financial instruments

Amounts receivable from customers

All customer receivables are initially recognised at the amount loaned to the customer plus directly attributable incremental issue costs. After initial recognition, customer receivables are subsequently measured at amortised cost. Amortised cost is the amount of the customer receivable at initial recognition less customer repayments, plus revenue earned calculated using the EIR, less any deduction for impairment. Customer receivables are classified as loans and receivables in accordance with IAS 39.

All customer receivables are assessed for impairment each week. Customer accounts that are in arrears (those that have missed any portion of a contractual payment) are deemed to have demonstrated evidence of impairment and are subject to an impairment review. Impairment is calculated using actuarial models which use historical payment performance to generate the estimated amount and timing of future cash flows from each arrears stage. These estimated future cash flows are discounted to a present value using the original EIR and this figure is compared with the balance sheet value. All such impairments are charged to the income statement.

The unwinding of the discounted value used to compute the impairment is reflected in the interest charged on the impaired loan. Impairment charges in respect of customer receivables are charged to the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. Cash also includes those balances held by agents for operational purposes. Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances.

Derivative financial instruments
The Group uses derivative financial instruments, principally interest rate swaps and forward currency contracts, to manage the interest rate and currency risks arising from the Group's underlying business operations. No transactions of a speculative nature are undertaken.

All derivative financial instruments are assessed against the hedge accounting criteria set out in IAS 39. The majority of the Group's derivatives are cash flow hedges of highly probable forecast transactions and meet the hedge accounting requirements of IAS 39. The Group also uses some foreign currency contracts which do not qualify for hedge accounting as they do not hedge a specific future transaction. These contracts are used to reduce the impact of exchange rate fluctuations on the reported results. Derivatives are initially recognised at the fair value on the date a derivative contract is entered into and are subsequently remeasured at each reporting date at their fair value. Where derivatives do not qualify for hedge accounting, movements in their fair value are recognised immediately within the income statement.

For derivatives that are designated as cash flow hedges and where the hedge accounting criteria are met, the effective portion of changes in the fair value is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement as part of finance costs. Amounts accumulated in equity are recognised in the income statement when the income or expense on the hedged item is recognised in the income statement.

The Group discontinues hedge accounting when:

- it is evident from testing that a derivative is not, or has ceased to be, highly effective as a hedge;
- the derivative expires, or is sold, terminated or exercised; or
- the underlying hedged item matures or is sold or repaid.

Borrowings
Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the expected life of the borrowings using the EIR. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Intangible assets
Intangible assets comprise computer software. Computer software is capitalised as an intangible asset on the basis of the costs incurred to acquire or develop the specific software and bring it into use.

Computer software is amortised on a straight-line basis over its estimated useful economic life which is generally estimated to be five years. The residual values and economic lives are reviewed by management at each balance sheet date.

Investments in subsidiaries
Investments in subsidiaries are stated at cost, where cost is equal to the fair value of the consideration used to acquire the asset. Investments are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the investment carrying value exceeds the higher of the asset's value in use or its fair value less costs to sell.

Property, plant and equipment
Property, plant and equipment is shown at cost less subsequent depreciation and impairment. Cost represents invoiced cost plus any other costs that are directly attributable to the acquisition of the items. Repairs and maintenance costs are expensed as incurred.

Depreciation is calculated to write down assets to their estimated realisable value over their useful economic lives. The following are the principal bases used:

Category	Depreciation rate	Method
Fixtures and fittings	10%	Straight-line
Equipment (including computer hardware)	20 to 33.3%	Straight-line
Motor vehicles	25%	Reducing balance

The residual value and useful economic life of all assets are reviewed, and adjusted if appropriate, at each balance sheet date. All items of property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use or its fair value less costs to sell.

Accounting policies continued

Share capital
IPF plc has only ordinary share capital. These shares, with a nominal value of 10 pence per share, are classified as equity.

Shares held by employee trust
The net amount paid by the employee trust to acquire shares is held in a separate reserve and shown as a reduction in equity.

Foreign currency translation
Items included in the Financial Statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ('the functional currency'). The Group's financial information is presented in sterling.

Transactions that are not denominated in a subsidiary's functional currency are recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the rates of exchange ruling at the balance sheet date. Differences arising on translation are charged or credited to the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

The income statements of the Group subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from sterling are translated into sterling at the average exchange rate and the balance sheets are translated at the exchange rates ruling at each balance sheet date.

On consolidation, exchange differences arising from the translation of the net investment in foreign subsidiaries, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Taxation
The tax expense represents the sum of current and deferred tax. Current tax is calculated based on taxable profit for the year using tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Employee benefits
Defined benefit pension plan
The charge or credit in the income statement in respect of the defined benefit pension plan comprises the actuarially assessed current service cost of working employees together with the interest charge on pension liabilities offset by the expected return on pension scheme assets. All charges or credits are allocated to administrative expenses.

The asset or obligation recognised in the balance sheet in respect of the defined benefit pension plan is the fair value of the plan's assets less the present value of the defined benefit obligation at the balance sheet date.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the statement of comprehensive income.

Past service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time ('the vesting period'). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

The Parent Company share of the defined benefit retirement obligation is based on the proportion of total Group contributions made by the Parent Company.

Defined contribution plans

Contributions to defined contribution pension schemes are charged to the income statement on an accruals basis.

Key assumptions and estimates

In applying the accounting policies set out above, the Group makes significant estimates and assumptions that affect the reported amounts of assets and liabilities as follows:

Amounts receivable from customers

The Group reviews its portfolio of customer loans and receivables for impairment every week. The Group makes judgements to determine whether there is objective evidence which indicates that there has been an adverse effect on expected future cash flows.

For the purposes of assessing the impairment of customer loans and receivables, customers are categorised into arrears stages as this is considered to be the most reliable predictor of future payment performance. The level of impairment is calculated using actuarial models which use historical payment performance to generate the estimated amount and timing of future cash flows from each arrears stage of each product. The impairment models are reviewed regularly to take account of the current economic environment and recent customer payment performance. However, on the basis that the payment performance of customers could be different from the assumptions used in estimating future cash flows, a material adjustment to the carrying value of amounts receivable from customers may be required. To the extent that the net present value of estimated cash flows differs by + / – 5%, it is estimated that amounts receivable from customers would be £28.3m higher / lower (2009: £26.3m).

Retirement benefit asset or obligation

A number of judgements and estimates are made in assessing the amount of the retirement benefit asset or obligation at each balance sheet date, the key ones being discount rate, mortality rates, investment returns, salary inflation and rate of pension increases. These judgements and estimates are derived after taking into account the requirements of IAS 19 'Retirement benefit obligations' and after taking the advice of the Group's actuaries.

Further details on the key assumptions used are set out in note 25.

Tax

The Group is subject to tax in a number of international jurisdictions as well as the UK. In some cases, due to the unusual features of home credit, the tax treatment of certain items cannot be determined with certainty until the operation has been subject to a tax audit. In some instances, this can be some years after the item has first been reflected in the Financial Statements. The Group recognises liabilities for anticipated tax audit and enquiry issues based on an assessment of whether such liabilities are likely to fall due. If the outcome of such audits is that the final liability is different to the amount originally estimated, such differences will be recognised in the period in which the audit or enquiry is determined. Any differences may necessitate a material adjustment to the level of tax balances held in the balance sheet.

Notes to the Financial Statements

1. Segment analysis

Geographical segments

Group	Revenue 2010 £m	Revenue 2009 £m	Impairment 2010 £m	Impairment 2009 £m	Profit before taxation 2010 £m	Profit before taxation 2009 £m
Poland	**245.3**	226.3	**75.1**	63.5	**49.0**	46.2
Czech-Slovakia	**137.7**	128.5	**27.3**	25.9	**41.7**	37.5
Hungary	**74.0**	84.8	**11.3**	34.1	**9.1**	(7.2)
UK – central costs*	**–**	–	**–**	–	**(12.9)**	(12.7)
Established businesses	**457.0**	439.6	**113.7**	123.5	**86.9**	63.8
Mexico	**101.2**	74.8	**36.9**	27.7	**3.5**	0.3
Romania	**50.5**	35.8	**17.5**	13.1	**1.7**	(2.4)
Total – pre-exceptional items	**608.7**	550.2	**168.1**	164.3	**92.1**	61.7
Exceptional items	**–**	–	**–**	–	**(3.9)**	–
Total – continuing operations	**608.7**	550.2	**168.1**	164.3	**88.2**	61.7
Discontinued operations	**–**	–	**–**	–	**–**	(10.7)
Total	**608.7**	550.2	**168.1**	164.3	**88.2**	51.0

Group	Segment assets 2010 £m	Segment assets 2009 £m	Segment liabilities 2010 £m	Segment liabilities 2009 £m
Poland	**269.1**	272.2	**141.6**	133.2
Czech-Slovakia	**169.3**	156.3	**62.6**	68.8
Hungary	**87.4**	89.6	**59.3**	57.4
UK	**28.6**	27.7	**46.7**	103.4
Mexico	**92.1**	76.2	**54.3**	37.0
Romania	**56.2**	48.5	**29.2**	10.9
Total	**702.7**	670.5	**393.7**	410.7

Group	Capital expenditure 2010 £m	Capital expenditure 2009 £m	Depreciation 2010 £m	Depreciation 2009 £m
Poland	**0.7**	0.6	**3.5**	4.2
Czech-Slovakia	**2.2**	1.2	**2.3**	2.7
Hungary	**0.9**	1.0	**2.0**	2.3
UK	**4.9**	3.4	**2.1**	2.1
Mexico	**1.6**	0.8	**0.8**	1.1
Romania	**0.3**	0.9	**0.7**	1.0
Total	**10.6**	7.9	**11.4**	13.4

*Although the UK 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.

All revenue comprises amounts earned on amounts receivable from customers.

The Group is domiciled in the UK, no revenue is generated in the UK. Total revenue from external customers is £608.7m (2009: £550.2m) and the breakdown by geographical area is disclosed above.

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £17.8m (2009: £19.6m), and the total of non-current assets located in other countries is £24.7m (2009: £31.3m).

There is no single external customer from which significant revenue is generated.

Expenditure on intangible assets of £0.5m (2009: £1.9m) and amortisation of £5.1m (2009: £5.0m) all relates to the UK.

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

2. Finance costs

Group	2010 £m	2009 £m
Interest payable on borrowings – continuing operations	**40.7**	30.9

Finance costs include £6.8m of exceptional financing costs (see note 10).

3. Profit before taxation

Profit before taxation is stated after charging / (crediting):

Group	2010 £m	2009 £m
Depreciation of property, plant and equipment (note 14)	**11.4**	13.4
Profit on disposal of property, plant and equipment	**(0.3)**	(0.3)
Amortisation of intangible assets (note 12)	**5.1**	5.0
Operating lease rentals:		
– property	**13.8**	13.0
– equipment	**1.9**	0.7
Share-based payment charge (note 26)	**1.7**	2.0
Defined benefit pension scheme (income) / charge (note 25)	**(2.7)**	0.6

4. Auditors' remuneration

During the year, the Group incurred the following costs in respect of services provided by the Group auditors:

Group	2010 £m	2009 £m
Fees payable to the Company auditors for the audit of the Parent Company and Consolidated Financial Statements	**0.1**	0.1
Fees payable to the Company auditors and its associates for other services:		
– audit of Company's subsidiaries pursuant to legislation	**0.3**	0.3
– tax services	**0.1**	0.1
– other services	**0.3**	0.2

Included within other services in 2010, is £0.2m of non-recurring refinancing costs.

5. Tax expense

Group	2010 £m	2009 £m
Total current tax	**32.5**	29.1
Total deferred tax (note 15)	**(3.5)**	(13.0)
Tax expense	**29.0**	16.1

Group	2010 £m	2009 £m
Tax charge / (credit) on items taken directly to equity		
Deferred tax charge on net fair value gains – cash flow hedges	**1.8**	0.4
Deferred tax charge / (credit) on actuarial gains / (losses) on retirement benefit obligation	**0.4**	(1.7)
	2.2	(1.3)

Financial Statements

Notes to the Financial Statements continued

5. Tax expense continued

The rate of tax expense on the profit before taxation for the year ended 31 December 2010 is higher than (2009: lower than) the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained as follows:

Group	2010 £m	2009 £m
Profit before taxation	88.2	61.7
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	24.7	17.3
Effects of:		
– adjustment in respect of prior years	(2.8)	(1.6)
– adjustment in respect of foreign tax rates	(3.2)	(3.9)
– expenses not deductible for tax purposes	5.9	6.2
– impact of rate change on deferred tax asset	4.4	(2.8)
– overseas taxable dividends	–	0.9
Total tax expense	**29.0**	16.1

6. Earnings per share

Basic earnings per share ('EPS') from continuing operations is calculated by dividing the earnings attributable to shareholders of £59.2m (2009: £45.6m) by the weighted average number of shares in issue during the period of 253.6 million (2009: 256.5 million) which has been adjusted to exclude the weighted average number of shares held by the employee trust.

Basic EPS including discontinued operations is calculated by dividing the earnings attributable to shareholders of £59.2m (2009: £32.8m) by the weighted average number of shares in issue during the period of 253.6 million (2009: 256.5 million) which has been adjusted to exclude the weighted average number of shares held by the employee trust.

For diluted EPS, the weighted average number of IPF plc ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares relating to employees of the Group.

The weighted average number of shares used in the basic and diluted EPS calculations can be reconciled as follows:

Group	2010 m	2009 m
Used in basic EPS calculation	253.6	256.5
Dilutive effect of awards	2.8	1.6
Used in diluted EPS calculation	**256.4**	258.1

Basic and diluted EPS are presented below:

Group	2010 pence	2009 pence
Basic EPS – continuing operations	23.34	17.78
Dilutive effect of awards	(0.25)	(0.11)
Diluted EPS – continuing operations	**23.09**	17.67

EPS – including discontinued operations:

Group	2010 pence	2009 pence
Basic EPS	23.34	12.78
Dilutive effect of awards	(0.25)	(0.08)
Diluted EPS	**23.09**	12.70

EPS – pre-exceptional profit:

Group	2010 pence	2009 pence
Basic EPS	24.57	17.78
Dilutive effect of awards	(0.25)	(0.11)
Diluted EPS – pre-exceptional profit	**24.32**	17.67

7. Dividends

Group and Company	2010 £m	2009 £m
Interim dividend of 2.53 pence per share (2009: 2.30 pence per share)	**6.5**	5.9
Final 2009 dividend of 3.40 pence per share (2009: final 2008 dividend 3.40 pence per share)	**8.6**	8.6
	15.1	14.5

The directors are recommending a final dividend in respect of the financial year ended 31 December 2010 of 3.74 pence per share which will amount to a full year dividend payment of £16.0m. If approved by the shareholders at the annual general meeting ('AGM'), this dividend will be paid on 20 May 2011 to shareholders who are on the register of members at 15 April 2011. This dividend is not reflected as a liability in the balance sheet as at 31 December 2010 as it is subject to shareholder approval.

8. Remuneration of key management personnel

The key management personnel (as defined by IAS 24 'Related party disclosures') of the Group are deemed to be the executive and non-executive directors of International Personal Finance plc ('IPF plc') and the members of the Senior Management Group specified in the Senior Management Group section of this Annual Report and Financial Statements.

	2010 £m	2009 £m
Short-term employee benefits	**5.1**	4.1
Post-employment benefits	**0.3**	0.3
	5.4	4.4

Short-term employee benefits comprise salary / fees, bonus and benefits earned in the year. Post-employment benefits represent the sum of (i) the increase in the transfer value of the accrued pension benefits (less contributions); (ii) Group contributions into personal pension arrangements; and (iii) contributions into the Group's stakeholder scheme.

Disclosures in respect of the Group's directors are included in the directors' remuneration report.

9. Employee information

The average number of persons employed by the Group (including directors) was as follows:

Group	2010 Number	2009 Number
Full-time*	**5,592**	5,560
Part-time**	**3,158**	3,611
	8,750	9,171

*Includes 80 agents in Hungary (2009: 274).
**Includes 2,537 agents in Hungary (2009: 2,983).

Agents are typically self employed other than in Hungary where they are required by legislation to be employed.

The average number of employees by category was as follows:

Group	2010 Number	2009 Number
Operations	**5,358**	5,907
Administration	**1,048**	1,009
Head Office and Security	**2,344**	2,255
	8,750	9,171

Notes to the Financial Statements continued

9. Employee information continued

Group employment costs – all employees (including directors):

Group	2010 £m	2009 £m
Gross wages and salaries	**108.0**	99.2
Social security costs	**21.9**	21.8
Pension charge – defined benefit schemes (note 25)	**0.1**	0.6
Pension charge – defined contribution schemes	**0.7**	0.5
Share-based payment charge	**1.7**	2.0
Total	**132.4**	124.1

10. Exceptional items

Group	2010 £m	2009 £m
Exceptional financing costs	**6.8**	–
Pension curtailment gain	**(2.9)**	–
Pre-tax exceptional charge	**3.9**	–
Tax	**(0.8)**	–
Post-tax exceptional charge	**3.1**	–

Profit before taxation includes an exceptional charge of £3.9m comprising exceptional financing costs totalling £6.8m partially offset by a curtailment gain of £2.9m arising on the closure of the Group's defined benefit pension scheme to future accrual. The exceptional financing costs primarily represent the cost of closing out interest rate swaps upon refinancing (£5.3m), the remainder (£1.5m) relates to unamortised arrangement fees and other funding costs.

11. Discontinued operations

On 29 April 2009 the Board took the decision to close the Russian pilot operation and withdraw from that market. The operation has not traded since that date.

	2010 £m	2009 £m
Trading losses	–	3.0
Write-off of goodwill on banking licence	–	3.0
Write-off of other assets including customer receivables and property, plant and equipment	–	0.9
Other closure costs	–	3.8
Loss before taxation	–	10.7
Taxation charge	–	2.1
Loss – discontinued operations	–	12.8

12. Intangible assets

Group	2010 Banking licence £m	2010 Computer software £m	2010 Total £m	2009 Banking licence £m	2009 Computer software £m	2009 Total £m
Net book amount						
At 1 January	–	11.4	11.4	3.0	14.5	17.5
Additions	–	0.5	0.5	–	1.9	1.9
Write-off	–	–	–	(3.0)	–	(3.0)
Amortisation	–	(5.1)	(5.1)	–	(5.0)	(5.0)
At 31 December	–	**6.8**	**6.8**	–	11.4	11.4
Analysed as:						
– cost	–	24.7	24.7	–	24.2	24.2
– amortisation	–	(17.9)	(17.9)	–	(12.8)	(12.8)
At 31 December	–	**6.8**	**6.8**	–	11.4	11.4

The banking licence related to the licence to trade as a bank in Russia and was written off in 2009 following the closure of the Russian operation.

The Company has no intangible assets.

13. Investment in subsidiaries

Company	2010 £m	2009 £m
Investment in subsidiary	**663.6**	663.6
Share-based payment adjustment	**3.1**	2.6
	666.7	666.2

IPF plc acquired the international businesses of the Provident Financial plc group on 16 July 2007 by issuing one IPF plc share to the shareholders of Provident Financial plc for each Provident Financial plc share held by them. The fair value of the consideration issued in exchange for the investment in these international businesses was £663.6m and this amount was therefore capitalised as a cost of investment. £3.1m (2009: £2.6m) has been added to the cost of investment representing the fair value of the share-based payment awards over IPF plc shares made to employees of subsidiary companies of IPF plc. The corresponding credit has been taken to reserves.

The principal subsidiary companies of IPF plc, which are 100% owned by the Group, are detailed below:

Subsidiary company	Country of incorporation and operation	Principal activity
IPF Holdings Limited	England	Holding company
International Personal Finance Investments Limited	England	Holding company
IPF International Limited	England	Provision of services
IPF Financing Limited	England	Provision of services
Provident Polska S.A.	Poland	Home credit
IPF Investments Polska Sp. z o.o.	Poland	Provision of services
Provident Financial s.r.o.	Czech Republic	Home credit
Provident Financial s.r.o.	Slovakia	Home credit
Provident Financial Zrt.	Hungary	Home credit
Provident Mexico S.A. de C.V.	Mexico	Home credit
Provident Servicios de Agencia S.A de C.V.	Mexico	Provision of services
Provident Servicios S.A de C.V.	Mexico	Provision of services
Provident Financial Romania IFN S.A.	Romania	Home credit

A full list of subsidiaries will be annexed to the next annual return of the Company to be filed with the Registrar of Companies.

Notes to the Financial Statements continued

14. Property, plant and equipment

Equipment and vehicles, fixtures and fittings

Group	2010 £m	2009 £m
Cost		
At 1 January	**87.1**	92.1
Exchange adjustments	**(0.5)**	(5.9)
Additions	**10.6**	7.9
Disposals	**(10.0)**	(7.0)
At 31 December	**87.2**	87.1
Depreciation		
At 1 January	**47.6**	39.7
Exchange adjustments	**(0.1)**	(2.1)
Charge to the income statement	**11.4**	13.4
Disposals	**(7.4)**	(3.4)
At 31 December	**51.5**	47.6
Net book value at 31 December	**35.7**	39.5

The Company has no property, plant and equipment.

15. Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method using the appropriate tax rate for the jurisdiction in which the temporary difference arises. The movement in the deferred tax balance during the year can be analysed as follows:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
At 1 January	**46.5**	37.5	**1.0**	0.4
Exchange differences	**0.7**	(3.8)	**–**	–
Credit / (charge) to the income statement*	**3.5**	11.5	**(0.6)**	0.2
Tax (charge) / credit on items taken directly to equity	**(2.2)**	1.3	**(0.1)**	0.4
At 31 December	**48.5**	46.5	**0.3**	1.0

An analysis of the deferred tax balance is set out below:

	Group				Company		
	Losses £m	Retirement benefit obligations £m	Other temporary differences £m	Total £m	Retirement benefit obligations £m	Other temporary differences £m	Total £m
At 1 January 2010	7.5	2.3	36.7	46.5	0.5	0.5	1.0
Exchange differences	(0.3)	–	1.0	0.7	–	–	–
(Charge) / credit to the income statement*	(0.6)	(1.0)	5.1	3.5	(0.2)	(0.4)	(0.6)
Tax charge on items taken directly to equity	–	(0.4)	(1.8)	(2.2)	(0.1)	–	(0.1)
At 31 December 2010	6.6	0.9	41.0	48.5	0.2	0.1	0.3

*From continuing and discontinued operations.

Deferred tax assets have been recognised in respect of all tax losses and other temporary timing differences (principally relating to revenue recognition) giving rise to deferred tax assets because it is probable that these assets will be recovered.

Deferred tax has not been provided on unremitted earnings of the Group's overseas subsidiaries as it is considered that any future distribution will fall within the UK's foreign profits exemption, introduced in July 2009, and hence no exposure to UK tax is expected to arise.

16. Amounts receivable from customers

Group	2010 £m	2009 £m
Amounts receivable from customers comprise:		
– amounts due within one year	**558.8**	514.9
– amounts due in more than one year	**8.1**	10.7
	566.9	525.6

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

Group	2010 £m	2009 £m
Polish zloty	**237.6**	232.3
Czech crown	**107.6**	97.8
Euro (Slovakia)	**37.8**	32.6
Hungarian forint	**69.4**	63.6
Central European currencies	**452.4**	426.3
Mexican peso	**67.5**	60.7
Romanian leu	**47.0**	38.6
	566.9	525.6

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows receivable discounted at the average effective interest rate ('EIR') of 132% (2009: 126%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 5.0 months (2009: 5.1 months).

The Group has only 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 £376.1m (2009: £335.8m).

The Company has no amounts receivable from customers.

17. Cash and cash equivalents

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Cash at bank and in hand	**23.5**	31.2	**0.8**	0.5

The currency profile of cash and cash equivalents is as follows:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Sterling	**1.4**	0.2	**0.6**	–
Polish zloty	**6.6**	8.9	**0.2**	0.3
Czech crown	**2.9**	4.5	**–**	0.1
Euro (Slovakia)	**0.8**	1.9	**–**	–
Hungarian forint	**3.7**	7.9	**–**	–
Mexican peso	**4.0**	2.5	**–**	–
Romanian leu	**4.1**	4.8	**–**	0.1
Russian rouble	**–**	0.5	**–**	–
Total	**23.5**	31.2	**0.8**	0.5

Notes to the Financial Statements continued

18. Other receivables

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Other receivables	**7.0**	9.4	**0.2**	0.8
Prepayments	**14.3**	6.9	**6.0**	0.3
Amounts due from Group undertakings	**–**	–	**269.2**	114.7
Total	**21.3**	16.3	**275.4**	115.8

No balance within other receivables is impaired.

Amounts due from Group undertakings are unsecured and due for repayment in less than one year.

19. Trade and other payables

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Trade payables	**1.7**	0.8	**0.5**	0.1
Other payables including taxation and social security	**15.8**	20.2	**0.2**	–
Accruals	**38.4**	26.1	**15.3**	1.2
Amounts due to Group undertakings	**–**	–	**118.1**	70.6
Total	**55.9**	47.1	**134.1**	71.9

Amounts due to Group undertakings are unsecured and due for repayment in less than one year.

20. Borrowing facilities and borrowings

External borrowings principally comprise the €225m (£193.1m) EMTN bonds maturing 2015; the Polish zloty 200m (£43.4m) bonds maturing 2015; and borrowings under committed revolving credit bank facilities and overdraft facilities. Committed facilities have maturities up to 2013 and borrowings under uncommitted overdraft facilities are repayable on demand. At 31 December 2010, borrowings under the bond and bank facilities amounted to £304.3m (2009: £332.6m). All borrowings are unsecured.

The Group's and Company's borrowings are as follows:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Borrowings				
Bank borrowings	**67.8**	332.6	**32.4**	101.6
Bonds	**236.5**	–	**193.1**	–
Total	**304.3**	332.6	**225.5**	101.6

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

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Borrowings				
Repayable:				
– in less than one year	**19.5**	111.6	**10.1**	39.2
– between one and two years	**–**	221.0	**–**	62.4
– between two and five years	**284.8**	–	**215.4**	–
Total	**304.3**	332.6	**225.5**	101.6

The average period to maturity of the Group's bonds and committed external borrowing facilities was 3.5 years (2009: 1.4 years).

20. Borrowing facilities and borrowings continued

The currency exposure on external borrowings is as follows:

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Sterling	**–**	70.0	**–**	70.0
Polish zloty	**76.0**	107.8	**19.3**	19.3
Czech crown	**4.0**	38.3	**2.9**	2.8
Euro	**196.0**	27.5	**193.2**	–
Hungarian forint	**5.1**	54.4	**–**	–
Mexican peso	**8.0**	25.1	**–**	–
Romanian leu	**15.2**	9.5	**10.1**	9.5
Total	**304.3**	332.6	**225.5**	101.6

The €225m (£193.1m) EMTN bonds are fixed rate bonds at a coupon of 11.5% fixed until maturity in 2015. The Polish zloty 200m (£43.4m) bonds are floating rate bonds, although derivative contracts have been used to fix borrowing costs for a period of 12 months up to September 2011. All of the external bank borrowings of the Group are at floating rates.

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

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Bond and bank facilities available				
Repayable:				
– on demand	**9.8**	8.1	**5.0**	5.0
– in less than one year	**35.0**	180.3	**10.0**	104.7
– between one and two years	**–**	409.9	**–**	214.5
– between two and five years	**434.8**	–	**276.6**	–
Total	**479.6**	598.3	**291.6**	324.2

The undrawn external bank borrowing facilities at 31 December were as follows:

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Expiring within one year	**25.3**	76.8	**4.9**	70.5
Expiring within one to two years	**–**	188.9	**–**	152.1
Expiring in more than two years	**150.0**	–	**61.2**	–
Total	**175.3**	265.7	**66.1**	222.6

In February 2011, we issued Romanian lei 36.5 million (£7.3 million) of three-year bonds under the EMTN.

Notes to the Financial Statements continued

21. Risks arising from financial instruments

Risk management

Treasury related risks

The Board approves treasury policies and the treasury function manages the day-to-day operations. The Board delegates certain responsibilities to the Treasury Committee. The Treasury Committee, which is chaired by the Finance Director, is empowered to take decisions within that delegated authority. Treasury activities and compliance with the treasury policies are reported to the Board on a regular basis and are subject to periodic independent reviews and audits, both internal and external. Treasury policies are designed to manage the main financial risks faced by the Group in relation to funding and liquidity risk; interest rate risk; currency risk; and counterparty risk. This is to ensure that the Group is properly funded; that interest rate and currency risk is managed within set limits; and that financial counterparties are of appropriate credit quality. Policies also set out the specific instruments that can be used for risk management.

The treasury function enters into derivative transactions, principally interest rate swaps, currency swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's underlying business operations. No transactions of a speculative nature are undertaken and written options may only be used when matched by purchased options.

Liquidity risk

The Group is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plans for growth. The short-term nature of the Group's business means that the majority of amounts receivable from customers are receivable within 12 months with an average period to maturity of less than six months. The risk of not having sufficient liquid resources is therefore low. The treasury policy adopted by the Group serves to reduce this risk further by setting a specific policy parameter that there is sufficient committed debt facilities to cover forecast borrowings plus operational headroom plus appropriate stress-testing for the next 18 months on a rolling basis. Further, the aim is to ensure that there is a balanced refinancing profile with phased maturity dates; diversification of debt funding sources; that there is no over-reliance on a single or small group of lenders; and that the debt facilities are sufficient for the currency requirements of each country. At 31 December 2010 the Group's bonds and committed borrowing facilities had an average period to maturity of 3.5 years (2009: 1.4 years). As shown in note 20 total undrawn facilities as at 31 December 2010 were £175.3m (2009: £265.7m).

A maturity analysis of the gross borrowing included in the balance sheet is presented in note 20. A maturity analysis of bonds, bank borrowings and overdrafts outstanding at the balance sheet date by contractual cash flow, including expected interest payments, is shown below:

Group	2010 £m	2009 £m
Not later than six months	**23.3**	98.8
Later than six months and not later than one year	**27.6**	27.5
Later than one year and not later than two years	**33.0**	232.6
Later than two years and not later than five years	**376.5**	–
	460.4	358.9

Company	2010 £m	2009 £m
Not later than six months	**11.5**	26.2
Later than six months and not later than one year	**23.1**	16.9
Later than one year and not later than two years	**24.1**	65.6
Later than two years and not later than five years	**283.6**	–
	342.3	108.7

The above analysis includes the contractual cash flow for borrowings and the total amount of interest payable over the life of the loan. Where borrowings are subject to a floating interest rate an estimate of interest payable is taken.

21. Risks arising from financial instruments continued

The following analysis shows the gross undiscounted contractual cash flows in respect of interest rate swap derivative liabilities and foreign currency contract derivative assets and liabilities which are all designated as cash flow hedges:

Group	2010 Outflow £m	2010 Inflow £m	2009 Outflow £m	2009 Inflow £m
Not later than one month	70.0	69.3	39.3	38.2
Later than one month and not later than six months	78.6	76.7	21.6	19.2
Later than six months and not later than one year	42.3	40.9	4.5	2.0
Later than one year and not later than two years	6.2	6.0	2.6	–
Later than two years and not later than five years	–	–	0.7	–
	197.1	192.9	68.7	59.4

Company	2010 Outflow £m	2010 Inflow £m	2009 Outflow £m	2009 Inflow £m
Not later than one month	0.5	0.5	0.8	0.6
Later than one month and not later than six months	1.3	1.2	18.6	17.3
Later than six months and not later than one year	0.7	0.7	1.8	0.8
Later than one year and not later than two years	–	–	1.0	–
Later than two years and not later than five years	–	–	0.1	–
	2.5	2.4	22.3	18.7

The outflow in respect of derivative liabilities occurring later than one year will be offset broadly by inflows from derivative assets.

A maturity analysis of the Group's receivables and borrowing facilities as at 31 December 2010 is presented below:

Group	Receivables £m	Percentage of total %	Borrowing facilities £m	Percentage of total %
Less than one year	558.8	98.6	44.8	9.3
Later than one year	8.1	1.4	434.8	90.7
	566.9	100.0	479.6	100.0

This demonstrates the short-term nature of the amounts receivable from customers which contrasts with the longer-term nature of the Group's committed funding facilities.

Amounts receivable from customers

Risk management policies in respect of amounts receivable from customers are discussed in the credit risk section within this note.

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21. Risks arising from financial instruments continued

Interest rate risk

The Group has an exposure to interest rate risk arising on changes in interest rates in each of its countries of operation and therefore seeks to limit this net exposure. This is achieved by the use of techniques to fix interest costs, including fixed rate funding (predominantly longer-term bond funding); forward currency contracts used for non-functional currency funding; bank borrowing loan draw-down periods; and interest rate hedging instruments. These techniques are used to hedge the interest costs on a proportion of borrowings over a certain period of time, up to five years, although most hedging is for up to two years.

Interest costs are a relatively low proportion of the Group's revenue (5.6% in 2010) and therefore the risk of a material variance arising from a change in interest rates is low. If interest rates across all markets increased by 200 basis points this would have the following impact:

Group	2010 £m	2009 £m
Increase in fair value of derivatives taken to equity	–	4.7
Reduction in profit before tax	**1.0**	0.9

This sensitivity analysis is based on the following assumptions:

- the change in the market interest rate occurs in all countries where the Group has borrowings and / or derivative financial instruments;
- where financial liabilities are subject to fixed interest rates or have their interest rate fixed by hedging instruments it is assumed that there is no impact from a change in interest rates; and
- changes in market interest rate affect the fair value of derivative financial instruments designated as hedging instruments.

Currency risk

The Group is subject to three types of currency risk: net asset exposure, cash flow exposure and profit and loss exposure.

Net asset exposure

The majority of the Group's net assets are denominated in currencies other than sterling. The consolidated balance sheet is reported in sterling and this means that there is a risk that a fluctuation in foreign exchange rates will have a material impact on the net assets of the Group. The Group aims to minimise the value of net assets denominated in each foreign currency by funding overseas receivables by borrowings in local currency where possible.

Cash flow exposure

The Group is subject to currency risk in respect of future cash flows which are denominated in foreign currency. The policy of the Group is to hedge a large proportion of this currency risk in respect of cash flows which are expected to arise in the following 12 months. Where forward foreign exchange contracts have been entered into, they are designated as cash flow hedges on specific future transactions.

Profit and loss exposure

As with net assets, the majority of the Group's profit is denominated in currencies other than sterling but translated into sterling for reporting purposes. The result for the period is translated into sterling at the average exchange rate. A risk therefore arises that a fluctuation in the exchange rates in the countries in which the Group operates will have a material impact on the consolidated result for the period. The Group reduces the exposure to this risk by economically hedging a proportion of budgeted profit which results in a currency variance in the trading result being partly offset by a gain or loss on the relevant foreign exchange contract.

The following sensitivity analysis demonstrates the impact on equity of a 5% strengthening or weakening of sterling against all exchange rates for the countries in which the Group operates.

Group	2010 £m	2009 £m
Change in profit and loss reserves	–	0.1
Change in profit before tax	**0.1**	0.2

21. Risks arising from financial instruments continued

This sensitivity analysis is based on the following assumptions:

- there is a 5% strengthening / weakening of sterling against all currencies in which the Group operates (Polish zloty, Czech crown, Euro (Slovakia), Hungarian forint, Mexican peso and Romanian leu); and
- there is no impact on the profit or loss reserve or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

Credit risk

The Group is subject to credit risk in respect of the amounts receivable from customers; the cash and cash equivalents held on deposit with banks; and foreign currency and derivative contracts.

Amounts receivable from customers

The Group lends small amounts over short-term periods to a large and diverse group of customers across the countries in which the Group operates. Nevertheless, the Group is subject to a risk of material unexpected credit losses in respect of amounts receivable from customers. This risk is minimised by the use of credit scoring techniques which are designed to ensure the Group only lends to those customers who can afford the repayments. The amount lent to each customer and the repayment period agreed are dependent upon the risk category the customer is assigned to as part of the scoring process. The level of expected future losses is generated on a weekly basis by geographical segment. These outputs are reviewed by management to ensure that appropriate action can be taken if results differ from management expectations.

Cash and cash equivalents

The Group only deposits cash, and only undertakes currency and derivative transactions, generally with highly rated banks and sets strict limits in respect of the amount of exposure to any one institution. Institutions with lower credit ratings can only be used with full Board approval.

No collateral or credit enhancements are held in respect of any financial assets. The maximum exposure to credit risk is as follows:

Group	2010 £m	2009 £m
Cash and cash equivalents	**23.5**	31.2
Amounts receivable from customers	**566.9**	525.6
Other receivables	**21.3**	16.3
Total	**611.7**	573.1

The above table represents a worst case scenario of the credit risk that the Group is exposed to at the year end. An analysis of the amounts receivable from customers by geographical segment is presented in note 16 and of the cash and cash equivalents in note 17.

Cash and cash equivalents, derivative financial instruments and other receivables are neither past due nor impaired. Credit quality of these assets is good and the cash and cash equivalents are spread over a number of banks, each of which meets the criteria set out in our treasury policies, which are explained further in the principal risks section of this report, to ensure the risk of loss is minimised.

Amounts receivable from customers are stated at amortised cost and calculated in accordance with the Group's accounting policies. Those amounts receivable from customers that are neither past due nor impaired represent loans where no customer payments have been missed and there is, therefore, no evidence to suggest that the credit quality is anything other than adequate.

The Group's accounting policy in respect of amounts receivable from customers requires that as soon as a customer misses any portion of a contractual payment the account is reviewed for impairment and the receivable is reduced to reflect the revised expected future cash flows. The result of this is that any loan which is past due (where a payment has been missed) will attract a deduction for impairment. Therefore, amounts receivable from customers include no amounts that are past due but not impaired.

21. Risks arising from financial instruments continued

An analysis of the amounts receivable from customers that are individually determined to be impaired is set out by geographical segment below:

	Not impaired		Impaired	
Group	2010 £m	2009 £m	2010 £m	2009 £m
Poland	**63.0**	63.8	**174.6**	168.5
Czech-Slovakia	**44.9**	44.7	**100.5**	85.7
Hungary	**26.8**	22.2	**42.6**	41.4
Mexico	**17.4**	16.7	**50.1**	44.0
Romania	**18.2**	15.4	**28.8**	23.2
	170.3	162.8	**396.6**	362.8

This analysis includes all loans that have been subject to impairment. The impairment charge is based on the average expected loss for each arrears stage of customer receivables and this average expected loss is applied to the entire arrears stage. This results in a significant proportion of the amounts receivable from customers attracting an impairment charge. For each market the amount by which an asset is impaired depends on the type of product, the recent payment performance and the number of weeks since the loan was issued. There will therefore be a large amount of receivables which are classed as impaired but where the carrying value is still a large proportion of the contractual amount recoverable. Annualised impairment as a percentage of revenue for each geographical market is shown below:

Group	2010 %	2009 %
Poland	**30.6**	28.1
Czech-Slovakia	**19.8**	20.2
Hungary	**15.3**	40.2
Mexico	**36.5**	37.0
Romania	**34.7**	36.6

The carrying value of amounts receivable from customers that would have been impaired had their terms not been renegotiated is £nil (2009: £nil).

Capital risk

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group is not required to hold regulatory capital.

The Group aims to maintain appropriate capital to ensure that it has a strong balance sheet but at the same time is providing a good return on capital to its shareholders. The Group's long-term aim is to ensure that the capital structure results in an optimal ratio of debt and equity finance.

Capital is monitored by considering the ratio of equity to receivables and the gearing ratio (borrowings to equity). The capital of the Group and these ratios are shown below:

Group	2010 £m	2009 £m
Receivables	**566.9**	525.6
Borrowings	**(304.3)**	(332.6)
Other net assets	**46.4**	66.8
Equity	**309.0**	259.8
Equity as % of receivables	**54.5%**	49.4%
Gearing	**1.0**	1.3

Equity as a percentage of receivables was above the internal minimum requirement set by the Group.

Gearing, which is equal to borrowings divided by net assets, at a ratio of 1.0 times (2009: 1.3 times), is well within covenant limits of 3.75 times.

22. Derivative financial instruments

Fair value estimation

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The fair value of other Group assets and liabilities is included in note 24. All of the Group's financial instruments fall into hierarchy level 2.

The Group's derivative assets and liabilities that are measured at fair value at 31 December 2010 are as follows:

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Assets				
Interest rate swaps	**–**	–	**–**	2.5
Foreign currency contracts	**–**	–	**–**	0.1
Total	**–**	–	**–**	2.6

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Liabilities				
Interest rate swaps	**–**	7.3	**–**	2.3
Foreign currency contracts	**4.5**	0.6	**–**	–
Total	**4.5**	7.9	**–**	2.3

The fair value of derivative financial instruments has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at 31 December.

Cash flow hedges

The Group uses interest rate swaps ('cash flow hedges') to hedge those interest cash flows that are expected to occur within two years of the balance sheet date and foreign currency contracts ('cash flow hedges') to hedge those foreign currency cash flows that are highly probable to occur within 12 months of the balance sheet date. The effect on the income statement will also be within these periods. An amount of £4.1m has been credited to equity for the Group in the period in respect of cash flow hedges (2009: credit of £1.5m), Company: £nil (2009: £nil).

Foreign currency contracts

The total notional amount of outstanding foreign currency contracts that the Group is committed to at 31 December 2010 is £192.9m (2009: £59.4m). These comprise:

- foreign currency contracts to buy or sell operational currencies against the euro for a total notional amount of £185.5m (2009: £1.5m). These contracts have various maturity dates up to November 2012 (2009: November 2010). These contracts have been designated and are effective as cash flow hedges under IAS 39 and accordingly the fair value thereof has been deferred in equity;
- foreign currency contracts to buy or sell various currencies for a total notional amount of £4.9m (2009: £41.9m). These contracts have various maturity dates up to October 2011 (2009: November 2010). These contracts have been designated and are effective as cash flow hedges under IAS 39 and accordingly the fair value thereof has been deferred in equity; and
- foreign currency contracts to buy or sell sterling for a total notional amount of £2.5m (2009: £16.0m). These contracts have various maturity dates up to January 2011 (2009: March 2010). These contracts exactly match the underlying item and therefore the amounts charged / credited to the income statement are offset by credits / charges in respect of the underlying item.

22. Derivative financial instruments continued

The total notional amount of outstanding foreign currency contracts that the Company is committed to at 31 December 2010 is £2.4m (2009: £18.6m). These comprise:

- foreign currency contracts to buy and sell various currencies for a total notional amount of £2.4m (2009: £2.6m). All of these contracts are held with external providers to buy and sell currency and all have equal and offsetting contracts with other Group companies to buy and sell the same amounts of currency. This leaves the Company with no residual risk and ensures the relevant subsidiary company has an effective foreign currency contract in its books; and
- foreign currency contracts to buy or sell sterling for a total notional amount of £nil (2009: £16.0m). The 2009 contract had maturities up to March 2010. There were no outstanding contracts at 31 December 2010.

The Group also enters into foreign exchange forward contracts to economically hedge against forecast profits denominated in foreign currency. These foreign exchange contracts do not hedge against a specific future cash flow so do not qualify for hedge accounting; changes in their fair value are therefore taken to the income statement. None of these contracts were outstanding at the balance sheet date.

Interest rate swaps

The total notional principal of outstanding interest rate swaps that the Group is committed to is £43.4m (2009: £382.5m). In 2010, these interest rate swaps cover a proportion of current borrowings relating to the floating rate Polish bond. In 2009 the interest rate swaps related to a proportion of floating rate bank borrowings. A substantial proportion of these have been replaced by bonds in 2010. The total notional principal of outstanding interest rate swaps that the Company is committed to is £nil (2009: £382.1m).

Interest rate swaps in place at the balance sheet date are designated, and are effective under IAS 39, as cash flow hedges, and the fair value thereof has been deferred in equity within the hedging reserve. A charge of £7.3m (2009: £1.3m) has been made to the income statement in the year representing the movement in the fair value of the ineffective portion of the interest rate swaps and the income statement charge relating to the closure of interest rate swaps. This includes a £5.3m exceptional charge arising on the closure of interest rate swaps following the issuance of the EMTN and PMTN bonds.

The weighted average interest rate and period to maturity of the Group interest rate swaps were as follows:

Group	**Weighted average interest rate %**	**Range of interest rates %**	**Weighted average period to maturity Years**	Weighted average interest rate %	Range of interest rates %	Weighted average period to maturity Years
			2010			2009
Polish zloty	**4.6**	**4.6-4.7**	**0.8**	6.3	5.6-6.9	1.1
Czech crown	**–**	**–**	**–**	3.2	2.4-4.7	0.8
Euro (Slovakia)	**–**	**–**	**–**	4.1	3.5-4.5	1.2
Hungarian forint	**–**	**–**	**–**	8.4	6.8-11.2	0.8
Mexican peso	**–**	**–**	**–**	9.8	8.3-11.7	1.5
Romanian leu	**–**	**–**	**–**	10.4	9.8-11.1	0.9

During the year the Group closed out all existing swaps following the issuance of the EMTN and PMTN bonds. The remaining Polish zloty interest rate swaps were entered into during the year to cover an element of the interest rate risk relating to the PMTN bond.

22. Derivative financial instruments continued

The weighted average interest rate and period to maturity of the Company interest rate swaps were as follows:

Company	2010 Weighted average interest rate %	2010 Range of interest rates %	2010 Weighted average period to maturity Years	2009 Weighted average interest rate %	2009 Range of interest rates %	2009 Weighted average period to maturity Years
Polish zloty	–	–	–	6.6	6.2-7.0	1.4
Czech crown	–	–	–	3.5	2.5-4.1	0.9
Euro (Slovakia)	–	–	–	4.0	3.5-4.7	1.4
Hungarian forint	–	–	–	10.7	9.8-11.3	0.5
Romanian leu	–	–	–	10.5	9.8-11.3	0.9

During the year the Company closed its interest rate swaps following the issuance of the EMTN and PMTN bonds.

23. Analysis of financial assets and financial liabilities

Financial assets

An analysis of Group financial assets is presented below:

Group	2010 Loans and receivables £m	2010 Derivatives used for hedging £m	2010 Total £m	2009 Loans and receivables £m	2009 Derivatives used for hedging £m	2009 Total £m
Cash and cash equivalents	23.5	–	23.5	31.2	–	31.2
Amounts receivable from customers	566.9	–	566.9	525.6	–	525.6
Other receivables	21.3	–	21.3	16.3	–	16.3
	611.7	–	611.7	573.1	–	573.1

Financial liabilities

An analysis of Group financial liabilities is presented below:

Group	2010 Financial liabilities at amortised cost £m	2010 Derivatives used for hedging £m	2010 Total £m	2009 Financial liabilities at amortised cost £m	2009 Derivatives used for hedging £m	2009 Total £m
Bonds	236.5	–	236.5	–	–	–
Bank borrowings	67.8	–	67.8	332.6	–	332.6
Trade and other payables	55.9	–	55.9	47.1	–	47.1
Derivative financial instruments	–	4.5	4.5	–	7.9	7.9
Current tax liabilities	25.7	–	25.7	15.6	–	15.6
	385.9	4.5	390.4	395.3	7.9	403.2

Notes to the Financial Statements continued

24. Fair values of financial assets and liabilities

The fair value and carrying value of the financial assets and liabilities of the Group are set out below:

Group	2010 Fair value £m	2010 Carrying value £m	2009 Fair value £m	2009 Carrying value £m
Financial assets				
Cash and cash equivalents	**23.5**	**23.5**	31.2	31.2
Amounts receivable from customers	**800.0**	**566.9**	700.0	525.6
Other receivables	**21.3**	**21.3**	16.3	16.3
	844.8	**611.7**	747.5	573.1
Financial liabilities				
Bonds	**253.1**	**236.5**	–	–
Bank borrowings	**67.8**	**67.8**	332.6	332.6
Trade and other payables	**55.9**	**55.9**	47.1	47.1
Derivative financial instruments	**4.5**	**4.5**	7.9	7.9
Current tax liabilities	**25.7**	**25.7**	15.6	15.6
	407.0	**390.4**	403.2	403.2

The fair value of amounts receivable from customers has been derived by discounting expected future cash flows (net of collection costs) at an appropriate discount rate.

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

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

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

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

25. Retirement benefit obligations

Pension schemes – defined benefit

In common with many businesses, with effect from 1 March 2010, the Group's defined benefit pension scheme was closed to further accrual of defined benefit obligations, with all members being offered the opportunity to join an existing money purchase scheme. This crystallised a pension curtailment gain of £2.9m, which is included as a credit within the exceptional item in the consolidated income statement (note 10).

Scheme assets are stated at fair value at 31 December 2010. The major assumptions used by the actuary were:

Group and Company	2010 %	2009 %
Price inflation	**3.4**	3.5
Rate of increase in pensionable salaries	**n/a**	5.0
Rate of increase to pensions in payment	**3.4**	3.5
Discount rate	**5.3**	5.7
Long-term rate of return:		
– equities	**7.7**	7.9
– bonds	**5.3**	5.5
– index-linked gilts	**4.2**	4.4
– overall (weighted average)	**6.4**	6.6

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The mortality assumptions are based on standard tables which allow for future mortality improvements. Different assumptions are used for different groups of members. Most members have not yet retired. On average, we expect a male retiring in the future at age 65 to live for a further 25 years. On average, we expect a female retiring in the future at age 65 to live for a further 29 years. If life expectancies had been assumed to be one year greater for all members, the charge to the income statement would have increased by £0.1m and the present value of defined benefit obligations would have increased by approximately £1.0m.

The amounts recognised in the balance sheet are as follows:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Equities	**19.5**	16.8	**4.3**	3.7
Bonds	**7.3**	6.9	**1.6**	1.6
Index-linked gilts	**5.2**	4.7	**1.1**	1.0
Other	**2.8**	2.5	**0.6**	0.5
Total fair value of scheme assets	**34.8**	30.9	**7.6**	6.8
Present value of funded defined benefit obligations	**(38.1)**	(38.4)	**(8.4)**	(8.4)
Net obligation recognised in the balance sheet	**(3.3)**	(7.5)	**(0.8)**	(1.6)

25. Retirement benefit obligations continued

The amounts recognised in the income statement are as follows:

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Current service cost	**0.1**	0.6	**–**	0.1
Interest cost	**2.2**	1.7	**0.5**	0.4
Expected return on scheme assets	**(2.1)**	(1.7)	**(0.5)**	(0.4)
Past service cost	**(2.9)**	–	**(0.6)**	–
Net (credit) / charge recognised in the income statement	**(2.7)**	0.6	**(0.6)**	0.1

The net (credit) / charge recognised in the income statement has been included within administrative expenses. The past service cost is an exceptional pension curtailment gain (see note 10).

Movements in the fair value of scheme assets were as follows:

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Fair value of scheme assets at 1 January	**30.9**	26.7	**6.8**	5.9
Expected return on scheme assets	**2.1**	1.7	**0.5**	0.4
Actuarial gains on scheme assets	**1.6**	3.2	**0.3**	0.7
Contributions by the Group	**0.7**	0.5	**0.1**	0.1
Contributions paid by scheme participants	**–**	0.1	**–**	–
Net benefits paid out	**(0.5)**	(1.3)	**(0.1)**	(0.3)
Fair value of scheme assets at 31 December	**34.8**	30.9	**7.6**	6.8

Movements in the present value of the defined benefit obligation were as follows:

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Defined benefit obligation at 1 January	**(38.4)**	(28.2)	**(8.4)**	(6.2)
Current service cost	**(0.1)**	(0.6)	**–**	(0.1)
Interest cost	**(2.2)**	(1.7)	**(0.5)**	(0.4)
Contributions paid by scheme participants	**–**	(0.1)	**–**	–
Actuarial losses on scheme liabilities	**(0.8)**	(9.1)	**(0.2)**	(2.0)
Past service cost	**2.9**	–	**0.6**	–
Net benefits paid out	**0.5**	1.3	**0.1**	0.3
Defined benefit obligation at 31 December	**(38.1)**	(38.4)	**(8.4)**	(8.4)

The actual return on scheme assets compared to the expected return is as follows:

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Expected return on scheme assets	**2.1**	1.7	**0.5**	0.4
Actuarial gains on scheme assets	**1.6**	3.2	**0.3**	0.7
Actual return on scheme assets	**3.7**	4.9	**0.8**	1.1

Actuarial gains and losses have been recognised through the statement of comprehensive income ('SOCI') in the period in which they occur.

25. Retirement benefit obligations continued

An analysis of the amounts recognised in the SOCI is as follows:

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Actuarial gains on scheme assets	**1.6**	3.2	**0.3**	0.7
Actuarial losses on scheme liabilities	**(0.8)**	(9.1)	**(0.2)**	(2.0)
Total gain / (loss) recognised in the SOCI in the year	**0.8**	(5.9)	**0.1**	(1.3)
Cumulative amount of losses recognised in the SOCI	**(10.4)**	(11.2)	**(2.3)**	(2.4)

The history of experience adjustments is as follows:

	Group			Company		
	2010	2009	2008*	**2010**	2009	2008*
Experience gains on scheme assets:						
– amount (£m)	**1.6**	3.2	(6.7)	**0.3**	0.7	(1.4)
– percentage of scheme assets (%)	**4.6%**	10.4%	(25.1)%	**3.9%**	10.3%	(23.7)%
Experience gains on scheme liabilities:						
– amount (£m)	**–**	0.7	–	**–**	0.2	–
– percentage of scheme liabilities (%)	**–**	1.8%	–	**–**	2.4%	–

*As required under IAS 19.

Pension schemes – defined contribution

The defined benefit pension scheme is no longer open to new members. All eligible UK employees joining are now invited to join a stakeholder pension plan into which the Group contributes between 8% and 20% of members' pensionable earnings, provided the employee contributes a minimum of 5%. The assets of the scheme are held separately from those of the Group. The pension charge in the income statement represents contributions payable by the Group in respect of the plan and amounted to £0.5m for the year ended 31 December 2010 (2009: £0.3m). £nil of contributions were payable to the plan at the year end (2009: £nil).

In addition, an amount of £0.2m (2009: £0.2m) has been charged to the income statement in respect of contributions into personal pension arrangements for certain directors and employees.

26. Share-based payments

The Group currently operates three categories of share schemes: The International Personal Finance plc Performance Share Plan ('the Performance Share Plan'), The International Personal Finance plc Company Share Option Plan ('the CSOP') and The International Personal Finance plc Employee Savings-Related Share Option Scheme ('the SAYE Scheme'). A number of awards have been granted under these schemes during the period under review. All awards granted under the International Personal Finance plc Exchange Share Scheme ('the Exchange Scheme') vested in 2009.

The income statement charge in respect of the Performance Share Plan and the Company Share Ownership Plan has been calculated using a Monte Carlo simulation model as these schemes are subject to a total shareholder return ('TSR') performance target. The income statement charge in respect of the SAYE scheme is calculated using a binominal option pricing model. The total income statement charge in respect of these share-based payments is £1.7m (2009: £2.0m).

Notes to the Financial Statements continued

26. Share-based payments continued

The fair value per award granted and the assumptions used in the calculation of the share-based payment charge are as follows:

Group and Company	Incentive Plan	Exchange Scheme	SAYE Scheme	SAYE Scheme	Performance Share Plan	Performance Share Plan	Performance Share Plan
Grant date	20 Jul 2007	20 Jul 2007	2 Apr 2008	1 Sep 2009	20 Jul 2007	20 Mar 2009	16 Dec 2009
Share price at award date (£)	2.50	2.50	2.28	1.40	2.50	0.95	2.14
Base price for TSR	2.26	n/a	n/a	n/a	2.26	1.26	1.96
Exercise price (£)	nil	nil	1.88	1.12	nil	nil	nil
Vesting period (years)	3–4	2	3, 5 and 7	3, 5 and 7	3–4	3	3–4
Expected volatility	30.0%	n/a	30.0%	30.0%	30.0%	30.0%	30.0%
Award life (years)	3	2	Up to 7	Up to 7	3	Up to 3	3
Expected life (years)	3	2	Up to 7	Up to 7	3	Up to 3	Up to 10
Risk-free rate	5.7%	n/a	5.7%	5.7%	5.7%	5.7%	5.7%
Expected dividends expressed as a dividend yield	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Deferred portion	50.0%	n/a	n/a	n/a	50.0%	50.0%	50.0%
TSR threshold	30.0%	n/a	n/a	n/a	30.0%	30.0%	30.0%
TSR maximum target	n/a	n/a	n/a	n/a	60.0%	60.0%	60.0%
Fair value per award (£)	n/a	2.40	0.68–0.85	0.42–0.53	1.10–1.13	0.44	1.62

Group and Company	SAYE Scheme	Company Share Ownership Plan	Company Share Ownership Plan	Company Share Ownership Plan	Performance Share Plan	Performance Share Plan	Performance Share Plan
Grant date	24 Aug 2010	23 Jul 2010	17 Sep 2010	20 Oct 2010	23 Jul 2010	17 Sep 2010	20 Oct 2010
Share price at award date (£)	2.34	2.22	2.66	3.02	2.22	2.66	3.02
Base price for TSR	n/a	2.08	2.28	2.56	2.08	2.28	2.56
Exercise price (£)	1.87	2.08	2.70	3.03	nil	nil	nil
Vesting period (years)	3, 5 and 7	3–4	3–4	3–4	3–4	3–4	3–4
Expected volatility	68.1%	68.7%	68.0%	67.8%	68.7%	68.0%	67.8%
Award life (years)	Up to 7	3	3	3	3	3	3
Expected life (years)	Up to 7	3	3	3	3	3	3
Risk-free rate	1.79%	2.33%	1.98%	1.75%	2.33%	1.98%	1.75%
Expected dividends expressed as a dividend yield	2.49%	2.57%	2.14%	1.96%	2.57%	2.14%	1.96%
Deferred portion	n/a	50%	50%	50%	50%	50%	50%
TSR threshold	n/a	30%	30%	30%	30%	30%	30%
TSR maximum target	n/a	60%	60%	60%	60%	60%	60%
Fair value per award (£)	1.41	0.91–0.93	1.07–1.09	1.23–1.24	1.35–1.38	1.70–1.71	1.94–1.95

No exercise price is payable in respect of awards made under the Performance Share Plan or under the former Exchange Scheme or Incentive Plan. The risk-free rate of return is the yield on zero coupon UK government bonds with a remaining term equal to the expected life of the award.

Further detail in respect of the Incentive Plan, Performance Share Plan, CSOP and SAYE scheme is given in the Directors' Remuneration Report.

26. Share-based payments continued

The movements in the outstanding awards are outlined in the table below:

Group	Exchange Scheme July 2007		SAYE scheme April 2008		SAYE scheme September 2009		Performance Share Plan July 2007		Performance Share Plan March 2009		Performance Share Plan December 2009	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January 2009	357,626	–	288,278	1.88	–	–	1,951,129	–	–	–	–	–
Granted	–	–	–	–	574,640	1.40	–	–	908,555	–	105,140	–
Expired / lapsed	(16,176)	–	(233,592)	1.88	(9,950)	1.40	(121,297)	–	(46,981)	–	–	–
Exercised	(341,450)	–	–	–	–	–	–	–	–	–	–	–
Outstanding at 31 December 2009	–	–	54,686	1.88	564,690	1.40	1,829,832	–	861,574	–	105,140	–
Exercisable at 31 December 2009	–	–	–	–	–	–	–	–	–	–	–	–
Outstanding at 1 January 2010	**–**	**–**	**54,686**	**1.88**	**564,690**	**1.40**	**1,829,832**	**–**	**861,574**	**–**	**105,140**	**–**
Granted	–	–	–		–		–	–	–	–	–	–
Expired / lapsed	–	–	**(4,908)**	**1.88**	**(105,943)**	**1.40**	**(1,829,832)**	–	**(499,638)**	–	–	–
Exercised	–	–	–	–	**(2,325)**	**1.40**	–	–	–	–	–	–
Outstanding at 31 December 2010	**–**	**–**	**49,778**	**1.88**	**456,422**	**1.40**	**–**	**–**	**361,930**	**–**	**105,140**	**–**
Exercisable at 31 December 2010	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Group	SAYE scheme August 2010		CSOP July 2010		CSOP September 2010		CSOP October 2010		Performance Share Plan July 2010		Performance Share Plan September 2010		Performance Share Plan October 2010	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January 2010	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Granted	**59,409**	**1.87**	**504,560**	**2.08**	**33,294**	**2.70**	**9,894**	**3.03**	**2,148,806**	**–**	**32,804**	**–**	**31,529**	**–**
Expired / lapsed	–	–	**(14,416)**	**2.08**	–	–	–	–	**(140,762)**	–	–	–	–	–
Exercised	–	–	–			–	–	–	–	–	–	–	–	–
Outstanding at 31 December 2010	**59,409**	**1.87**	**490,144**	**2.08**	**33,294**	**2.70**	**9,894**	**3.03**	**2,008,044**	**–**	**32,804**	**–**	**31,529**	**–**
Exercisable at 31 December 2010	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

26. Share-based payments continued

Company	Exchange Scheme July 2007		SAYE scheme April 2008		SAYE scheme September 2009		Performance Share Plan July 2007		Performance Share Plan March 2009		Performance Share Plan December 2009	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January 2009	165,630	–	63,279	1.88	–	–	323,242	–	18,019	–	105,140	–
Granted	–	–	–	–	95,283	1.40	–	–	–	–	–	–
Expired / lapsed	(16,176)	–	(44,329)	1.88	–	–	–	–	–	–	–	–
Exercised	(149,454)	–	–	–	–	–	–	–	–	–	–	–
Outstanding at 31 December 2009	–	–	18,950	1.88	95,283	1.40	323,242	–	18,019	–	105,140	–
Exercisable at 31 December 2009	–	–	–	–	–	–	–	–	–	–	–	–
Outstanding at 1 January 2010	**–**	**–**	**18,950**	**1.88**	**95,283**	**1.40**	**323,242**	**–**	**18,019**	**–**	**105,140**	**–**
Granted	–	–	–	–	–	–	–	–	–	–	–	–
Transferred	–	–	9,650	1.88	214,143	1.40	329,539	–	52,789	–	–	–
Expired / lapsed	–	–	(4,908)	1.88	(50,311)	1.40	(652,781)	–	(70,808)	–	–	–
Exercised	–	–	–	–	–	–	–	–	–	–	–	–
Outstanding at 31 December 2010	**–**	**–**	**23,692**	**1.88**	**259,115**	**1.40**	**–**	**–**	**–**	**–**	**105,140**	**–**
Exercisable at 31 December 2010	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Company	SAYE scheme August 2010		CSOP July 2010		CSOP September 2010		CSOP October 2010		Performance Share Plan July 2010		Performance Share Plan September 2010		Performance Share Plan October 2010	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January 2010	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Granted	43,210	1.87	360,400	2.08	11,098	2.70	9,894	3.03	1,098,550	–	9,065	–	8,882	–
Expired / lapsed	–	–	(14,416)	2.08	–	2.70	–	–	(140,762)	–	–	–	–	–
Exercised	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Outstanding at 31 December 2010	**43,210**	**1.87**	**345,984**	**2.08**	**11,098**	**2.70**	**9,894**	**3.03**	**957,788**	**–**	**9,065**	**–**	**8,882**	
Exercisable at 31 December 2010	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

27. Share capital

Company	2010 £m	2009 £m
257,217,888 fully paid up shares at a nominal value of 10 pence	**25.7**	25.7

28. Reconciliation of profit after taxation to cash generated from / (used in) operations

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Profit / (loss) after taxation from continuing operations	**59.2**	45.6	**(9.5)**	(7.1)
Adjusted for:				
– tax charge	**29.0**	16.1	**3.4**	2.5
– finance costs	**40.7**	30.9	**18.4**	6.4
– finance income	**–**	–	**(17.5)**	(3.9)
– share-based payment charge	**1.7**	2.0	**1.2**	0.9
– defined benefit pension (credit) / charge (note 25)	**(2.7)**	0.6	**–**	0.1
– depreciation of property, plant and equipment (note 14)	**11.4**	13.4	**–**	–
– profit on sale of property, plant and equipment	**(0.3)**	(0.3)	**–**	–
– amortisation of intangible assets (note 12)	**5.1**	5.0	**–**	–
Changes in operating assets and liabilities:				
– amounts receivable from customers	**(36.6)**	5.4	**–**	–
– other receivables	**(5.3)**	1.7	**53.5**	9.7
– trade and other payables	**(4.9)**	4.9	**48.0**	(32.7)
– retirement benefit obligation	**(0.7)**	(0.5)	**(0.7)**	(0.1)
– derivative financial instruments	**0.7**	(2.7)	**0.3**	(4.0)
Cash generated from / (used in) continuing operations	**97.3**	122.1	**97.1**	(28.2)

29. Commitments

Commitments to make operating lease payments are as follows:

Group	2010 £m	2009 £m
In less than one year	**9.2**	9.7
In more than one year but not later than five years	**30.4**	15.9
In more than five years	**1.7**	1.8
	41.3	27.4

Other commitments are as follows:

Group	2010 £m	2009 £m
Capital expenditure commitments contracted with third parties but not provided for at 31 December	**1.8**	2.9

The Company has no commitments as at 31 December 2010 (2009: £nil).

Notes to the Financial Statements continued

30. Contingent liabilities

The Company has a contingent liability for guarantees given in respect of the borrowings of certain other Group companies to a maximum of £249.2m (2009: £274.1m). At 31 December 2010, the fixed and floating rate borrowings under these facilities amounted to £83.9m (2009: £231.0m). The directors do not expect any loss to arise. These guarantees are defined as financial guarantees under IAS 39 and their fair value at 31 December 2010 was £nil (2009: £nil).

31. Related party transactions

IPF plc has various transactions with other companies in the Group. Details of these transactions along with any balances outstanding are set out below:

	2010			2009		
Company	Recharge of costs £m	Interest charge £m	Outstanding balance £m	Recharge of costs £m	Interest charge / (credit) £m	Outstanding balance £m
Poland	0.1	0.1	1.8	0.1	0.1	0.1
Czech-Slovakia	–	–	0.2	0.6	–	0.1
Hungary	0.1	0.6	0.2	0.2	1.3	–
Mexico	–	2.3	0.6	–	–	0.3
Romania	0.1	2.2	0.3	0.3	0.7	9.7
Other UK companies	5.1	6.7	145.8	0.5	(0.6)	33.9
	5.4	11.9	148.9	1.7	1.5	44.1

The Group's only related party transactions are remuneration of key management personnel as disclosed in note 8.

Shareholder information

Annual general meeting ('AGM')

The AGM will be held at 10.30 am on 11 May 2011 at the Company's registered office, Number Three, Leeds City Office Park, Meadow Lane, Leeds LS11 5BD.

Proposed dividend calendar	Announced	Ex-dividend date	Record date	Payment date
2010 Final	2 March 2011	13 April 2011	15 April 2011	20 May 2011
2011 Interim	21 July 2011	7 September 2011	9 September 2011	7 October 2011

Registrar

The Company's share registrar is Capita Registrars Limited of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (telephone 0871 664 0300. Calls cost 10 pence per minute plus network extras. Lines are open 8.30 am to 5.30 pm Monday to Friday).

The registrar deals with all matters relating to transfers of ordinary shares in the Company and with enquiries concerning holdings, and provides a range of services to shareholders including: a dividend reinvestment scheme; setting up or amending dividend bank mandates; and amending personal details.

The registrar's website is www.capitaregistrars.com. This will give shareholders access to their personal shareholding by means of their investor code (which is printed on their share certificate). Most services will require a user ID and password which will be provided on registration.

Duplicate shareholder accounts

If a shareholder receives more than one copy of the Company's mailings to shareholders this may indicate that more than one account is held in their name on the register of members. This happens when the registration details of different transactions are not identical. If a shareholder believes that more than one account exists in his / her name, he / she may contact the registrar to request that the accounts be combined. There is no charge for doing this.

Website and electronic communications

The Company's Articles of Association permit the Company to use electronic communications when sending information to shareholders. Using electronic communications helps us to reduce the environmental impact of our business by limiting the amount of paper we use and to manage our costs. From time to time the Company consults with shareholders to check how they wish to receive information from the Company, and a shareholder is deemed to have consented to receive information electronically if a response is not received.

Any document or information required to be sent to shareholders is made available on the Company's website and a notification of availability is sent. Shareholders who receive such a notification are entitled to request a hard copy of the document at any time and may also change the way they receive communications at any time by contacting the registrar.

Share price in 2010

At 1 January	205p
High during the year	385p
Low during the year	183p
At 31 December	384p

Information on our share price is available on the Company's website (www.ipfin.co.uk) and in a number of newspapers.

Dividend history

Payment date	Dividend	Dividend (p)
19 October 2007	2007 interim	1.90
23 May 2008	2007 final	2.85
3 October 2008	2008 interim	2.30
22 May 2009	2008 final	3.40
2 October 2009	2009 interim	2.30
21 May 2010	2009 final	3.40
8 October 2010	2010 interim	2.53

Share dealing and ISA service

The Company has made arrangements for its shareholders and employees with Redmayne-Bentley LLP for the provision of both an ISA and general share dealing service. Shareholders who wish to take advantage of these facilities should contact Redmayne-Bentley LLP, Merton House, 84 Albion Street, Leeds LS1 6AG (telephone 0113 243 6941).

ShareGift

If a shareholder has a small shareholding which is not economic to sell, he / she may wish to donate the shares to ShareGift, a registered charity (no. 1052686) which can amalgamate small holdings in order to sell the shares and pass the proceeds on to other charities. More information is available at www.sharegift.org or telephone 0207 930 3737.

Shareholder information continued

Capital Gains Tax base cost for UK shareholders

On 16 July 2007, Provident Financial plc demerged its international business, and shares in International Personal Finance plc, the new holding company, were listed on the main market of the London Stock Exchange. Details regarding the calculation of the base cost of the Company's shares for the purposes of the taxation of chargeable gains can be found on the Company's website (www.ipfin.co.uk).

Company details

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Company number 6018973

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