# International Personal Finance plc
# Half-yearly financial report for the six months ended 30 June 2010

## Operating and financial highlights

- Profit before tax* increased to £30.5 million (H1 2009: £9.1 million; H1 2008: £26.3 million)
- All markets in profit, including maiden first half profits in Mexico and Romania
- Hungary continuing its strong recovery with a significant improvement in first half results
- Customers up by 7.5% to 2.1 million, credit issued up by 6.7% and receivables up by 8.2%
- Credit quality improved: H1 impairment reduced to 32.1% of revenue (H1 2009: 36.2%)
- Earnings per share* of 8.89 pence (2009: 2.58 pence; 2008: 7.26 pence)
- Interim dividend increased by 10% to 2.53 pence per share (2009 interim dividend 2.30 pence per share)

Chief Executive Officer, John Harnett, commented:

"This is a strong performance in challenging times, delivered through a combination of steady growth, improved credit quality and tight control of costs. The increased dividend reflects these good first half results and our confidence that we are on course to deliver a good performance for the year as a whole."

* From continuing operations excluding pension curtailment gain (£2.9 million) and changes in fair value of derivatives (£3.5 million).

## Summary

Over the past 18 months our business has demonstrated its resilience during turbulent economic conditions. The first half of 2010 has seen improving economic conditions in most of the markets in which we operate and we have benefited from this whilst taking care to remain cautious in a still uncertain economic climate.

### First half results

Profit before tax from continuing operations for the six months ended 30 June 2010 was £30.5 million (stated before a pension curtailment gain and fair value adjustments of £6.4 million in total). This result is substantially higher than 2009 (£9.1 million), when first half profits were adversely impacted by the global recession; and is also 16% higher than the pre-recession result in 2008 (£26.3 million).

| | **2010 £m** | 2009 £m | Change £m | Change % | Change at CER % |
|---|---|---|---|---|---|
| Customer numbers (000s) | **2,114** | 1,966 | 148 | 7.5 | 7.5 |
| Credit issued | **352.4** | 313.6 | 38.8 | 12.4 | 6.7 |
| Average net receivables | **519.5** | 473.5 | 46.0 | 9.7 | 3.9 |
| | | | | | |
| Revenue | **302.7** | 265.0 | 37.7 | 14.2 | 8.2 |
| Impairment | **(97.3)** | (95.9) | (1.4) | (1.5) | 3.7 |
| Finance costs | **(14.6)** | (15.4) | 0.8 | 5.2 | 11.0 |
| Agents' commission | **(33.1)** | (31.6) | (1.5) | (4.7) | 1.2 |
| Other costs | **(127.2)** | (113.0) | (14.2) | (12.6) | (7.4) |
| | | | | | |
| **Profit before taxation, pension curtailment gain and fair value adjustments** | **30.5** | 9.1 | 21.4 | 235.2 | |
| | | | | | |
| Fair value adjustments | 3.5 | 3.3 | 0.2 | | |
| Pension curtailment gain | 2.9 | - | 2.9 | | |
| | | | | | |
| **Profit before taxation – continuing operations** | **36.9** | 12.4 | 24.5 | | |
| | | | | | |
| Discontinued operations | **-** | (10.8) | 10.8 | | |
| | | | | | |
| **Profit before taxation** | **36.9** | 1.6 | 35.3 | | |

*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.*

Since the second half of 2008, we have maintained tight credit controls in all markets. Although trading conditions have been improving from the end of the first half of 2009, we have been easing credit controls selectively and carefully, on a branch by branch basis, and only where supported by improved economic conditions along with very good credit quality and collections performance.

Alongside this cautious positioning, we have delivered steady growth with an improvement in the quality of new customer recruitment, which reflects the more benign competitive environment and tight credit controls. Customer numbers are 7.5% higher than June 2009 at 2.1 million with growth in the developing markets of Mexico and Romania more than offsetting the downsizing that accompanied the restructuring of the Hungarian business in July 2009. This represents an increase of 58,000 in the first half of 2010 and has led to year-on-year increases in the level of credit issued of 6.7%. Average net receivables have grown by 3.9% in the first half and by the end of June they were 8.2% higher year on year. Group revenue has increased by 8.2%, which reflects the growth in receivables and also the price increase implemented in most markets in the second half of 2009, which benefited the first half results by approximately £10 million.

We have improved both credit quality and collections performance with the result that impairment as a percentage of revenue in the first half of the year has reduced to 32.1% (June 2009: 36.2%). A key driver of this reduction has been the performance of our Hungarian business where, following the restructuring of that business in the second half of 2009, credit quality and collections performance have been very good. Bad weather affected the first quarter in Poland but collections performance improved in the second quarter and, as expected the impairment charge reduced.

Costs were tightly controlled and so grew less quickly than revenue; Finance costs were 11.0% lower than the first half of 2009 reflecting further reductions in Group borrowings as a result of the strong cash generation in the Group's established markets; Agents' commission costs reduced by 1.2%, mainly reflecting the down-sizing in Hungary; Other costs increased by 7.4% comprising a 4.1% increase in Central Europe and 20.6% in our developing markets, where we are growing strongly and continue to build our geographical coverage.

IPF has entered derivative contracts to fix foreign currency rates used to translate approximately two thirds of our forecast profits in the second half of 2010. The first half result includes a £3.5 million net gain on these contracts, as well as contracts to fix interest rates on forecast borrowings and other hedging instruments. This gain is expected to unwind in the second half as contracts mature and further details are set out in note 14.

Profit before taxation also includes a non-cash £2.9 million pension curtailment gain arising on the closure of the Group's defined benefit pension scheme to future accrual (see note 12).

**Segmental results**

| | **2010 £m** | 2009 £m | Change £m | Change % |
|---|---|---|---|---|
| Central Europe | **35.9** | 20.7 | 15.2 | 73.4 |
| UK – central costs | **(6.3)** | (6.2) | (0.1) | (1.6) |
| Established markets | **29.6** | 14.5 | 15.1 | 104.1 |
| | | | | |
| Mexico | **0.7** | (3.5) | 4.2 | 120.0 |
| Romania | **0.2** | (1.9) | 2.1 | 110.5 |
| Developing markets | **0.9** | (5.4) | 6.3 | 116.7 |
| **Profit before taxation, pension curtailment gain and fair value adjustments** | **30.5** | 9.1 | 21.4 | 235.2 |

We delivered profits in all markets in the first half. Our Central European markets reported profits of £35.9 million, which represents an increase of £15.2 million compared with the first half of 2009. A key driver of this increase has been the turnaround in performance we have achieved through restructuring our Hungarian business, which made a pre-tax profit of £1.5 million compared with a £7.0 million loss in 2009. We have now returned to growth in Hungary, and impairment levels are much reduced. Performance in the other markets of Poland and Czech-Slovakia has also been good and these markets reported pre-tax profits of £34.4 million, which were up by £6.7 million (24.2%) from £27.7 million in the first half of 2009.

Our developing markets of Mexico and Romania also continued to make good progress, with both markets reporting maiden first half profits. The Mexican business made a first half profit of £0.7 million, having made a loss of £3.5 million in the first half of 2009. This reflects continued growth in customers and receivables coupled with stable impairment and increasing levels of efficiency. In Romania, the business continues to perform well and reported a first half profit of £0.2 million, compared with a 2009 first half loss of £1.9 million.

**Taxation**

The taxation charge for the first six months of 2010 represents an effective tax rate of 26%. This represents the Group's best estimate of the effective rate of taxation for the full year. However, as part of its plan to reduce its fiscal deficit, the Hungarian government is likely to introduce special taxes for financial institutions. The precise nature and scope of these taxes is being debated, but we estimate that this could potentially increase the Group effective rate of tax by a further 2% to 28%.

**Dividend**

An increased interim dividend of 2.53 pence has been declared, up by 10% (2009: 2.30 pence). The dividend is payable on 8 October 2010 to shareholders on the register at close of business on 10 September 2010. The shares will be marked ex-dividend on 8 September 2010.

**Balance sheet**

Customer receivables at the end of June 2010 were £474.0 million, which represents year on year growth of 8.2% (June 2009: £444.4 million). Borrowings at the end of June were £281.2 million (June 2009: £304.1 million). This represents a year on year reduction of £21.3 million (at constant exchange rates). The Group has headroom of £133.8 million on its bank facilities of £415.0 million of which £372.3 million are committed through to October 2011.

At 30 June 2010 net assets were £251.2 million, which means that shareholders' equity had increased to 53.0% of net receivables and gearing, calculated as borrowings divided by shareholders' equity, had reduced to 1.1 times.

**Funding**

We have sufficient committed bank facilities to fund the development of the business through to October 2011. Beyond that date, the total medium-term funding requirement of the Group is approximately £450 million including headroom. Our plan is to put in place new funding arrangements to meet this requirement before the end of 2010.

As part of this strategy and to meet a substantial portion of its future funding requirement the Group hopes to access the public debt markets and so has obtained a long-term credit rating of BB+ from Fitch and has established a Euro Medium Term Note programme. However, adverse conditions in public bond markets since the start of the Greek sovereign debt crisis have prevented this and it is unclear when conditions might improve.

We are also discussing the provision of new facilities with our banking group.

**New markets**
During the period we have successfully commenced operations in the Monterrey region of Mexico. This region has a 15 million population and therefore provides strong growth potential. We do not plan to commence pilot operations in any new countries this year. However, taking our business model to new, emerging markets remains a key element of our strategy and we will look to enter new markets when conditions are right.

**Regulation and legislation**
As previously indicated, the new EU Consumer Credit Directive (CCD) is in the process of being implemented in all our European markets. To date it has been implemented in Hungary, Slovakia and Romania, with Poland and the Czech Republic planning to implement at the end of this year at the earliest. The most significant features are the harmonisation of the definition of the Annual Percentage Rate (APR) to be quoted in any consumer credit agreement and a standard, more generous, method of calculating the rebate accruing to a customer in the event of early settlement.

During the first half, there has been a simplification of the existing cap in Slovakia and, as expected the Hungarian Banking Act was amended with effect from 1 June 2010, whereby a financial institution is permitted to grant to an individual customer in any calendar year only one consumer loan, of which the APR exceeds 65%. As before, there continues to be debate about the possible introduction of a rate cap in the Czech Republic.

In Poland, there have been no further developments in respect of the Office of Competition and Consumer Protection's review of practices in respect of customer early settlement rebates. As previously noted, we believe that the new early settlement regime to be introduced in accordance with the CCD will address their concerns.

**Outlook**
Our strong first half performance gives us confidence that we will be able to deliver further growth in the second half and continued improvement in performance. Nevertheless, economic risks remain, both from the global economy and the economies in which we operate, particularly from the fiscal tightenings planned in Romania and Hungary. Accordingly our credit controls and growth plans remain prudently set.

## Review of operations

### Central Europe

Central Europe comprises our businesses in Poland, the Czech Republic, Slovakia and Hungary. Together these markets reported a pre-tax profit of £35.9 million in the first half of 2010 compared with £20.7 million in 2009.

| **Profit / (loss) before taxation** | **2010** | 2009 | Change | Change |
|---|---|---|---|---|
| | **£m** | £m | £m | % |
| Central Europe excluding Hungary | **34.4** | 27.7 | 6.7 | 24.2% |
| Hungary | **1.5** | (7.0) | 8.5 | 121.4% |
| Central Europe | **35.9** | 20.7 | 15.2 | 73.4% |

**Central Europe excluding Hungary**

Economic conditions and consumer confidence in Poland, the Czech Republic and Slovakia have steadily improved in the first half of 2010. Combined with a more favourable competitive environment and good credit quality and collections performance, this has enabled these markets to deliver improved results, with first half profits increasing by £6.7 million to £34.4 million.

| | **2010 £m** | 2009 £m | Change £m | Change % | Change at CER % |
|---|---|---|---|---|---|
| Customer numbers (000s) | **1,145** | 1,139 | 6 | 0.5 | 0.5 |
| Credit issued | **218.2** | 199.3 | 18.9 | 9.5 | 3.5 |
| Average net receivables | **352.1** | 330.2 | 21.9 | 6.6 | 0.5 |
| | | | | | |
| Revenue | **189.4** | 170.2 | 19.2 | 11.3 | 4.8 |
| Impairment | **(59.7)** | (52.1) | (7.6) | (14.6) | (8.3) |
| | **129.7** | 118.1 | 11.6 | 9.8 | 3.3 |
| Finance costs | **(7.9)** | (10.3) | 2.4 | 23.3 | 27.5 |
| Agents' commission | **(19.1)** | (18.9) | (0.2) | (1.1) | 5.0 |
| Other costs | **(68.3)** | (61.2) | (7.1) | (11.6) | (5.4) |
| **Profit before taxation** | **34.4** | 27.7 | 6.7 | 24.2 | |

Growth in customer numbers has been slower than we had expected so far this year reflecting a strong focus on collections in Poland alongside a sensibly cautious stance on growth. However, the credit quality of new customers has continued to improve reflecting favourable competitive conditions and the prospects for improved growth in the second half are good.

Credit issued was 3.5% higher than 2009, as a result of increased sales to existing customers enabled by improved credit quality across the loan portfolio. This in turn led to an increase in average net receivables of 0.5% and revenue growth of 4.8%.

Impairment as a percentage of revenue increased a little, up from 30.6% to 31.5%, all due to the impact of poor weather on collections performance in Poland in the first quarter of this year. During the second quarter, collections performance and the impairment charge improved progressively and returned to more normal levels. We expect further improvement in collections performance and impairment to benefit results in the second half of the year.

Finance costs are 27.5% lower than 2009, reflecting strong cash generation and de-gearing in these businesses, whilst agents' commission costs have decreased slightly reflecting the impact of the adverse weather on agents' first quarter earnings. Other costs have increased by 5.4%, largely reflecting an increase in the level of performance related pay, mainly relating to field management.

Our expectation is that these markets will benefit from continued good credit quality and improved growth in the seasonally stronger second half of the year as well as further improvements in collections performance and impairment in Poland.

**Hungary**

Performance in Hungary has continued to improve following the restructuring of the business in the third quarter of 2009. It reported a pre-tax profit of £1.5 million for the first half of 2010 compared to a loss of £7.0 million in 2009, a turnaround of £8.5 million.

| | **2010 £m** | 2009 £m | Change £m | Change % | Change at CER% |
|---|---|---|---|---|---|
| Customer numbers (000s) | **229** | 280 | (51) | (18.2) | (18.2) |
| Credit issued | **44.3** | 43.6 | 0.7 | 1.6 | (2.0) |
| Average net receivables | **62.2** | 77.2 | (15.0) | (19.4) | (22.6) |
| | | | | | |
| Revenue | **38.1** | 47.2 | (9.1) | (19.3) | (22.4) |
| Impairment | **(9.3)** | (25.1) | 15.8 | 62.9 | 64.6 |
| | **28.8** | 22.1 | 6.7 | 30.3 | 26.3 |
| Finance costs | **(2.6)** | (3.4) | 0.8 | 23.5 | 25.7 |
| Agents' commission | **(6.1)** | (7.7) | 1.6 | 20.8 | 23.8 |
| Other costs | **(18.6)** | (18.0) | (0.6) | (3.3) | 0.5 |
| **Profit/(loss) before taxation** | **1.5** | (7.0) | 8.5 | 121.4 | |

The reduction in customer numbers compared with June 2009 reflects the down-sizing of the business in July 2009, when approximately 80,000 customers who were paying poorly were transferred to the central debt recovery unit. Since then the business has started re-building the customer base and this has increased from a low of 222,000 in November 2009 to 229,000 at the end of the first half.

The reduction in customers compared to the first half of 2009 has led to a reduction in average customer receivables and revenues of approximately 22-23%. However, credit issued in the first half was only 2.0% lower than 2009 because the improved credit quality of the loan portfolio enabled higher sales to existing customers. In addition, there are positive signs for the future with improving new customer growth causing growth in credit issued to recommence in the second quarter, when issue was 5.0% higher than last year.

The key driver for the improvement in profitability has been lower impairment reflecting much improved collections performance and credit quality. In the first half of 2010 impairment was 24.4% of revenue compared with 53.2% at the same stage last year.

The Hungarian government plans to reduce the budget deficit over the next two years and this may slow the economic recovery. However, credit quality is good and our credit controls and growth plans are correspondingly cautious. We therefore expect a continued improved performance in the second half, to maintain good credit quality and to continue re-building customer numbers and profitability over the medium-term.

**Mexico**

Mexico has continued to develop well. In the first half it reported a pre-tax profit of £0.7 million, including £0.5 million in start-up costs in the Monterrey region, compared with a pre-tax loss of £3.5 million in 2009, an increase of £4.2 million. We also opened our first two branches in the Monterrey region in the first half of the year.

| | **2010 £m** | 2009 £m | Change £m | Change % | Change at CER % |
|---|---|---|---|---|---|
| Customer numbers (000s) | **553** | 427 | 126 | 29.5 | 29.5 |
| Credit issued | **54.5** | 44.2 | 10.3 | 23.3 | 13.8 |
| Average net receivables | **64.9** | 42.1 | 22.8 | 54.2 | 43.6 |
| | | | | | |
| Revenue | **50.3** | 32.3 | 18.0 | 55.7 | 45.0 |
| Impairment | **(20.1)** | (12.4) | (7.7) | (62.1) | (50.0) |
| | **30.2** | 19.9 | 10.3 | 51.8 | 41.8 |
| Finance costs | **(2.4)** | (2.4) | - | - | 11.1 |
| Agents' commission | **(5.5)** | (3.6) | (1.9) | (52.8) | (41.0) |
| Other costs | **(21.6)** | (17.4) | (4.2) | (24.1) | (16.1) |
| **Profit/(loss) before taxation** | **0.7** | (3.5) | 4.2 | 120.0 | |

The Mexican business has continued to grow well, with customer numbers nearly 30% higher than at June last year. During the first half we opened two branches in Monterrey and one in Guadalajara we have not opened any new branches in the Puebla region, but plan to do so in the second half.

As a result of strong customer and issue growth over the preceding 12 months, average customer receivables increased by 43.6% which led to revenue growth in the first half of 45.0%. Impairment as a percentage of revenue was broadly stable at 39.9% (June 2009: 38.4%) and agents' commission costs increased by 41.0%, in line with the growth in receivables. The business has also continued to improve its efficiency with other costs increasing by 16.1%, much lower than the increase in revenue, with the result that other costs as a percentage of revenue reduced from 53.9% to 42.9%.

The profit / (loss) before taxation is analysed by region as follows:

| | **2010 £m** | 2009 £m | Change £m | Change % |
|---|---|---|---|---|
| Puebla region | **2.7** | (0.3) | 3.0 | 1,000.0 |
| Guadalajara region | **2.6** | 0.4 | 2.2 | 550.0 |
| Monterrey region | **(0.5)** | - | (0.5) | (100.0) |
| Central costs | **(4.1)** | (3.6) | (0.5) | (13.9) |
| **Profit / (loss) before taxation** | **0.7** | (3.5) | 4.2 | 120.0 |

Both the Puebla and Guadalajara regions have performed well and together have generated an additional £5.2 million of profit in the first half of 2010. This has helped to absorb £0.5 million of start-up losses in Monterrey and an increase of £0.5 million in head office costs.

We expect further improvements in performance in the second half, through maintaining good credit quality, but also increasing the rate of growth.

**Romania**

The Romanian business has continued to make good progress reporting a maiden first half profit despite a challenging economic backdrop. During the first half it made a pre-tax profit of £0.2 million compared with a loss of £1.9 million in 2009.

| | **2010 £m** | 2009 £m | Change £m | Change % | Change at CER % |
|---|---|---|---|---|---|
| Customer numbers (000s) | **187** | 120 | 67 | 55.8 | 55.8 |
| Credit issued | **35.4** | 26.5 | 8.9 | 33.6 | 34.6 |
| Average net receivables | **40.3** | 24.0 | 16.3 | 67.9 | 69.3 |
| | | | | | |
| Revenue | **24.9** | 15.3 | 9.6 | 62.7 | 63.8 |
| Impairment | **(8.2)** | (6.3) | (1.9) | (30.2) | (32.3) |
| | **16.7** | 9.0 | 7.7 | 85.6 | 85.6 |
| Finance costs | **(2.3)** | (0.3) | (2.0) | (666.7) | (666.7) |
| Agents' commission | **(2.4)** | (1.4) | (1.0) | (71.4) | (60.0) |
| Other costs | **(11.8)** | (9.2) | (2.6) | (28.3) | (29.7) |
| **Profit/(loss) before taxation** | **0.2** | (1.9) | 2.1 | 110.5 | |

We implemented a tightening of credit controls in November 2009 due to the deteriorating economic outlook. This action coupled with increased caution on the part of our agents and field managers reduced the rate of growth compared with our original expectations.

Nevertheless, the business continues to grow and customer numbers have increased by 23,000 (14.0%) since the 2009 year end and are now 67,000 or 55.8% higher than June 2009. Credit issued increased by 34.6% and this has driven an increase in average customer receivables of 69.3% and revenues of 63.8%.

Credit quality and collections performance have both been good and, as a result, impairment as a percentage of revenue has reduced from 41.2% to 32.9%. Similarly, we have managed the growth in costs to significantly lower than the growth in revenues.

We remain cautious on the near term economic outlook for Romania. The government has recently announced austerity measures including a 25% reduction in salaries of public sector employees and a 5% increase in VAT. These measures became effective in July and therefore it is too early to assess the impact that they may have on our business.

Our focus for the second half will be to maintain good collections performance and to keep tight control on credit quality and costs. As a result we do not plan to open any new branches in the second half. Our objective remains to deliver a full year maiden profit.

## International Personal Finance plc
## Condensed consolidated interim financial information for the six months ended 30 June 2010

### Consolidated income statement

| | Notes | **Unaudited Six months ended 30 June 2010 £m** | Unaudited Six months ended 30 June 2009 £m | Audited Year ended 31 December 2009 £m |
|---|---|---|---|---|
| Revenue[1] | 5 | **302.7** | 265.0 | 550.2 |
| Impairment | 5 | **(97.3)** | (95.9) | (164.3) |
| **Revenue less impairment** | | **205.4** | 169.1 | 385.9 |
| | | | | |
| Finance costs | | **(14.6)** | (15.4) | (30.9) |
| Other operating costs | | **(39.7)** | (36.5) | (86.0) |
| Administrative expenses | | **(114.2)** | (104.8) | (207.3) |
| **Total costs** | | **(168.5)** | (156.7) | (324.2) |
| | | | | |
| **Profit before taxation – continuing operations** | 5 | **36.9** | 12.4 | 61.7 |
| | | | | |
| Tax expense – UK | | **-** | - | (3.8) |
| – Overseas | | **(9.6)** | (3.5) | (12.3) |
| Total tax expense | 6 | **(9.6)** | (3.5) | (16.1) |
| **Profit after taxation from continuing operations** | | **27.3** | 8.9 | 45.6 |
| Loss after taxation from discontinued operations | | **-** | (12.8) | (12.8) |
| **Profit/(loss) after taxation attributable to equity shareholders** | | **27.3** | (3.9) | 32.8 |

**Earnings per share – continuing operations**

| | Notes | **Unaudited Six months ended 30 June 2010 pence** | Unaudited Six months ended 30 June 2009 pence | Audited Year ended 31 December 2009 pence |
|---|---|---|---|---|
| Basic | 7 | **10.76** | 3.52 | 17.78 |
| Diluted | 7 | **10.65** | 3.52 | 17.67 |

**Earnings/(loss) per share**

| | **Unaudited Six months ended 30 June** | Unaudited Six months ended 30 June | Audited Year ended 31 December |
|---|---|---|---|

[1] All amounts included in revenue are defined as finance income under IFRS 7.

| | Notes | **2010 pence** | 2009 pence | 2009 pence |
|---|---|---|---|---|
| Basic | 7 | **10.76** | (1.54) | 12.78 |
| Diluted | 7 | **10.65** | (1.54) | 12.70 |

**Dividend per share**

| | Notes | **Unaudited Six months ended 30 June 2010 pence** | Unaudited Six months ended 30 June 2009 pence | Audited Year ended 31 December 2009 pence |
|---|---|---|---|---|
| Interim dividend | 8 | **2.53** | 2.30 | 2.30 |
| Final dividend | 8 | **-** | - | 3.40 |
| **Total dividend** | | **2.53** | 2.30 | 5.70 |

**Dividends paid**

| | Notes | **Unaudited Six months ended 30 June 2010 £m** | Unaudited Six months ended 30 June 2009 £m | Audited Year ended 31 December 2009 £m |
|---|---|---|---|---|
| Interim dividend of 2.53 p (2009: 2.30p) per share | 8 | **-** | - | 5.9 |
| Final dividend of 3.40 p (2009: 3.40p) per share | 8 | **8.6** | 8.6 | 8.6 |
| **Total dividends paid** | | **8.6** | 8.6 | 14.5 |

**Consolidated statement of comprehensive income**

| | **Unaudited Six months ended 30 June 2010 £m** | Unaudited Six months ended 30 June 2009 £m | Audited Year ended 31 December 2009 £m |
|---|---|---|---|
| **Profit/(loss) after taxation attributable to equity shareholders** | **27.3** | (3.9) | 32.8 |
| Other comprehensive income: | | | |
| Exchange losses on foreign currency translations (see note 13) | **(27.8)** | (34.9) | (16.2) |
| Net fair value gains – cash flow hedges | **1.1** | 1.7 | 1.5 |

| | | | |
|---|---|---|---|
| Actuarial losses on retirement benefit obligation | **(1.9)** | (1.3) | (5.9) |
| Tax credit/(charge) on items taken directly to equity | **0.2** | (0.1) | 1.3 |
| **Other comprehensive expense, net of taxation** | **(28.4)** | (34.6) | (19.3) |
| **Total comprehensive (expense)/income for the period attributable to equity shareholders** | **(1.1)** | (38.5) | 13.5 |

The notes to the condensed consolidated financial information form an integral part of this consolidated interim financial information.

**Consolidated balance sheet**

| | Notes | **Unaudited 30 June 2010 £m** | Unaudited 30 June 2009 £m | Audited 31 December 2009 £m |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | | **9.2** | 15.0 | 11.4 |
| Property, plant and equipment | 9 | **34.9** | 39.4 | 39.5 |
| Deferred tax assets | | **42.6** | 29.6 | 46.5 |
| | | **86.7** | 84.0 | 97.4 |
| **Current assets** | | | | |
| Amounts receivable from customers | | | | |
| - due within one year | | **466.3** | 435.2 | 514.9 |
| - due in more than one year | | **7.7** | 9.2 | 10.7 |
| | 10 | **474.0** | 444.4 | 525.6 |
| Derivative financial instruments | | **4.2** | 10.6 | - |
| Cash and cash equivalents | | **29.9** | 33.0 | 31.2 |
| Current tax asset | | **-** | 0.1 | - |
| Trade and other receivables | | **16.9** | 16.7 | 16.3 |
| | | **525.0** | 504.8 | 573.1 |
| **Total assets** | | **611.7** | 588.8 | 670.5 |
| | | | | |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Bank borrowings | 11 | **(19.1)** | (8.6) | (111.6) |
| Derivative financial instruments | | **(7.8)** | (13.3) | (7.9) |
| Trade and other payables | | **(48.9)** | (55.7) | (47.1) |
| Current tax liabilities | | **(16.6)** | - | (15.6) |
| | | **(92.4)** | (77.6) | (182.2) |
| **Non-current liabilities** | | | | |
| Retirement benefit obligation | 12 | **(6.0)** | (2.8) | (7.5) |
| Bank borrowings | 11 | **(262.1)** | (295.5) | (221.0) |
| | | **(268.1)** | (298.3) | (228.5) |

| | | | |
|---|---|---|---|
| **Total liabilities** | **(360.5)** | (375.9) | (410.7) |
| **Net assets** | **251.2** | 212.9 | 259.8 |
| | | | |
| **Shareholders' equity** | | | |
| Called-up share capital | **25.7** | 25.7 | 25.7 |
| Other reserves | **(18.7)** | (10.3) | 8.3 |
| Retained earnings | **244.2** | 197.5 | 225.8 |
| **Total equity** | **251.2** | 212.9 | 259.8 |

The notes to the condensed consolidated financial information form an integral part of this consolidated interim financial information.

**Consolidated statement of changes in shareholders' equity for the six months ended 30 June 2010**

| | Unaudited | | | | |
|---|---|---|---|---|---|
| | Called-up share capital £m | Other reserve £m | Other reserves* £m | Retained earnings £m | Total £m |
| **Balance at 1 January 2009** | **25.7** | **(22.5)** | **45.9** | **209.7** | **258.8** |
| Comprehensive income: | | | | | |
| Loss after taxation for the period | - | - | - | (3.9) | (3.9) |
| Other comprehensive income: | | | | | |
| Exchange losses on foreign currency translations | - | - | (34.9) | - | (34.9) |
| Net fair value gains – cash flow hedges | - | - | 1.7 | - | 1.7 |
| Actuarial losses on retirement benefit obligation | - | - | - | (1.3) | (1.3) |
| Tax (charge)/credit on items taken directly to equity | - | - | (0.5) | 0.4 | (0.1) |
| Total other comprehensive expense | - | - | (33.7) | (0.9) | (34.6) |
| Total comprehensive expense for the period | - | - | (33.7) | (4.8) | (38.5) |
| Transactions with owners: | | | | | |
| Share-based payment adjustment to reserves | - | - | - | 1.2 | 1.2 |
| Dividends paid to Company shareholders | - | - | - | (8.6) | (8.6) |
| **Balance at 30 June 2009** | **25.7** | **(22.5)** | **12.2** | **197.5** | **212.9** |
| | | | | | |
| **Balance at 1 July 2009** | **25.7** | **(22.5)** | **12.2** | **197.5** | **212.9** |
| Comprehensive income: | | | | | |
| Profit after taxation for the period | - | - | - | 36.7 | 36.7 |
| Other comprehensive income: | | | | | |
| Exchange gains on foreign currency translation | - | - | 18.7 | - | 18.7 |
| Net fair value losses – cash flow hedges | - | - | (0.2) | - | (0.2) |
| Actuarial losses on retirement benefit | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| obligation | - | - | - | (4.6) | (4.6) |
| Tax credit on items taken directly to equity | - | - | 0.1 | 1.3 | 1.4 |
| Total other comprehensive income | - | - | 18.6 | (3.3) | 15.3 |
| Total comprehensive income for the period | - | - | 18.6 | 33.4 | 52.0 |
| Transactions with owners: | | | | | |
| Share-based payment adjustment to reserves | - | - | - | 0.8 | 0.8 |
| Dividends paid to Company shareholders | - | - | - | (5.9) | (5.9) |
| **Balance at 31 December 2009** | **25.7** | **(22.5)** | **30.8** | **225.8** | **259.8** |

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

**Consolidated statement of changes in shareholders' equity for the six months ended 30 June 2010 (continued)**

| | Unaudited | | | | |
|---|---|---|---|---|---|
| | Called-up share capital £m | Other reserve £m | Other reserves* £m | Retained earnings £m | Total £m |
| **Balance at 1 January 2010** | **25.7** | **(22.5)** | **30.8** | **225.8** | **259.8** |
| Comprehensive income: | | | | | |
| Profit after taxation for the period | - | - | - | 27.3 | 27.3 |
| Other comprehensive income: | | | | | |
| Exchange losses on foreign currency translation (see note 13) | - | - | (27.8) | - | (27.8) |
| Net fair value gains – cash flow hedges | - | - | 1.1 | - | 1.1 |
| Actuarial losses on retirement benefit obligation | - | - | - | (1.9) | (1.9) |
| Tax (charge) /credit on items taken directly to equity | - | - | (0.3) | 0.5 | 0.2 |
| Total other comprehensive expense | - | - | (27.0) | (1.4) | (28.4) |
| Total comprehensive (expense)/income for the period | - | - | (27.0) | 25.9 | (1.1) |
| Transactions with owners: | | | | | |
| Share-based payment adjustment to reserves | - | - | - | 1.1 | 1.1 |
| Dividends paid to Company shareholders | - | - | - | (8.6) | (8.6) |
| **Balance at 30 June 2010** | **25.7** | **(22.5)** | **3.8** | **244.2** | **251.2** |

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

The notes to the condensed consolidated financial information form an integral part of this consolidated interim financial information.

**Consolidated statement of cash flows**

| | **Unaudited Six months ended 30 June 2010 £m** | Unaudited Six months ended 30 June 2009 £m | Audited Year ended 31 December 2009 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Continuing operations | | | |
| Cash generated from operations | **67.2** | 85.5 | 122.1 |
| Interest paid | **(14.6)** | (15.4) | (32.6) |
| Income tax paid | **(8.9)** | (7.5) | (14.6) |
| Discontinued operations | **-** | (5.1) | (8.6) |
| **Net cash generated from operating activities** | **43.7** | 57.5 | 66.3 |
| | | | |
| **Cash flows from investing activities** | | | |
| Continuing operations | | | |
| Purchases of property, plant and equipment | **(4.8)** | (2.1) | (7.9) |
| Proceeds from sale of property, plant and equipment | **0.8** | 2.3 | 2.9 |
| Purchases of intangible assets | **(0.3)** | (2.9) | (1.9) |
| Discontinued operations | **-** | - | 1.0 |
| **Net cash used in investing activities** | **(4.3)** | (2.7) | (5.9) |
| | | | |
| **Cash flows from financing activities** | | | |
| Continuing operations | | | |
| Repayment of bank borrowings | **(30.0)** | (71.0) | (72.6) |
| Dividends paid to company shareholders | **(8.6)** | (8.6) | (14.5) |
| **Net cash used in financing activities** | **(38.6)** | (79.6) | (87.1) |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | **0.8** | (24.8) | (26.7) |
| Cash and cash equivalents at the start of the period | **31.2** | 62.2 | 62.2 |
| Exchange losses on cash and cash equivalents | **(2.1)** | (4.4) | (4.3) |
| **Cash and cash equivalents at the end of the period** | **29.9** | 33.0 | 31.2 |

**Reconciliation of profit after taxation to cash flows from continuing operations**

| | **Unaudited Six months ended 30 June 2010 £m** | Unaudited Six months ended 30 June 2009 £m | Audited Year ended 31 December 2009 £m |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Profit after taxation from continuing operations | **27.3** | 8.9 | 45.6 |
| Adjusted for: | | | |
| Tax expense | **9.6** | 3.5 | 16.1 |
| Finance costs | **14.6** | 15.4 | 30.9 |
| Share-based payment charge | **1.1** | 1.2 | 2.0 |
| Pension charge | **0.2** | 0.3 | 0.6 |
| Depreciation of property, plant and equipment | **5.8** | 7.3 | 13.4 |
| Profit on sale of property, plant and equipment | **-** | (0.2) | (0.3) |
| Amortisation of intangible assets | **2.5** | 2.4 | 5.0 |
| Changes in operating assets and liabilities: | | | |
| Amounts receivable from customers | **9.1** | 50.1 | 5.4 |
| Trade and other receivables | **(6.3)** | (7.8) | 1.7 |
| Trade and other payables | **10.2** | 11.9 | 4.9 |
| Retirement benefit obligation | **(3.7)** | (0.3) | (0.5) |
| Derivative financial instruments | **(3.2)** | (7.2) | (2.7) |
| **Cash generated from continuing operations** | **67.2** | 85.5 | 122.1 |

Cash generated from continuing operations can be analysed by business unit as follows:

| | **Unaudited Six months ended 30 June 2010 £m** | Unaudited Six months ended 30 June 2009 £m | Audited Year ended 31 December 2009 £m |
|---|---|---|---|
| Established markets | **58.3** | 99.0 | 155.7 |
| Developing markets | **8.9** | (13.5) | (33.6) |
| **Continuing operations** | **67.2** | 85.5 | 122.1 |

The notes to the condensed consolidated financial information form an integral part of this consolidated interim financial information.

## Notes to the condensed consolidated interim financial information for the six months ended 30 June 2010

### 1. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and with IAS 34 ‘Interim financial reporting’ as adopted by the European Union. This condensed consolidated interim financial information should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards

as adopted by the European Union (IFRS). This interim financial information was approved for release on 22 July 2010.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Annual Report and Financial Statements for the year ended 31 December 2009 (the Financial Statements) were approved by the board on 3 March 2010 and delivered to the Registrar of Companies. The Financial Statements contained an unqualified audit report and did not include an emphasis of matter paragraph or any statement under Section 498 of the Companies Act 2006. The Financial Statements are available on the Group's website (www.ipfin.co.uk).

This condensed consolidated interim financial information has been reviewed by the Group's auditors PricewaterhouseCoopers LLP but has not been audited.

Except as described below, the accounting policies adopted in this interim financial information are consistent with those adopted in the Financial Statements for the year ended 31 December 2009. The accounting polices are detailed in those Financial Statements.

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

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009;
- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual reporting periods beginning on or after 1 July 2009;
- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009;
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual reporting periods beginning on or after 1 January 2010; and
- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.

## Notes to the condensed consolidated interim financial information for the six months ended 30 June 2010 (continued)

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of 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. The Group is yet to assess IFRS 9's full impact and has not yet decided when to adopt IFRS 9;

- Revised IAS 24, 'Related party disclosures';
- 'Classification of rights issues' (Amendment to IAS 32);
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14); and
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'.

**2. Principal risks**

In accordance with the Disclosure and Transparency Rules, a description of the principal risks (and the mitigating factors in place in respect of these) is included below. The directors believe that the Group's principal business risks have not changed since the publication of the Annual Report and Financial Statements 2009.

| Strategic risk | Mitigation |
|---|---|
| **Economic downturn** | |
| The condition of the economies in which we operate, and in particular changes in general levels of unemployment, is likely to have a significant impact on business performance.<br><br>Customers may face increasing difficulty, such as reduced incomes or unemployment and may be less able to repay loans and/or less willing to borrow. Reduced demand, reduced revenue and increased impairment may result. | We have a resilient business model.<br><br>Our loan book is short-term, on average just under six months repayments are outstanding, which means we can quickly change the risk-return profile of our lending.<br><br>Our close customer relationships and flexible credit scoring systems allow us to detect rapidly, and respond to, changes in customers' circumstances at local branch level. |
| **Competition** | |
| Increased competition may reduce market share leading to increased costs of customer acquisition and retention or reduced credit issued, lower revenue and lower profitability. | There are few providers of home credit in our markets. Our distinctive operating model engenders high levels of customer satisfaction. Market research is periodically undertaken to monitor satisfaction levels, identify usage of other financial products and monitor competitor activity. In addition, this risk has been reduced by diversification of customer acquisition channels, less competition and reducing costs of media as a result of the economic downturn. |



| Strategic risk | Mitigation |
|---|---|
| **Business development** | |
| Failure to develop effectively the business and achieve strategic aims because management resources, IT and operational systems prove inadequate or insufficient. | We have a clear change management programme in place aimed at delivering organisational change to enable strategic aims of the business to be delivered. This includes but is not restricted to the following areas: |

| | |
|---|---|
| | A formal people roadmap incorporating a talent development programme aimed at delivering sufficient high-quality managers to meet future plans. A learning and development framework has also been implemented.<br><br>We have a clear strategy for the development of our IT systems and operational processes. |
| **Funding** | |
| Insufficient liquid funds to meet the short-term or strategic requirements of the business. This is particularly relevant following the significant reduction in the general availability of bank and capital markets funding.<br><br>At its extreme this could lead to a breach of banking covenants causing all outstanding facilities to fall due for repayment or the going concern status of the business being called into question. | The business is well capitalised with equity to receivables of 53%. At 30 June 2010 there was headroom of £133.8 million on £415.0 million of syndicated and bilateral banking facilities. £372.3 million of these facilities are committed to October 2011.<br><br>We have committed funding sufficient for our business plan until October 2011 and plan to secure additional medium-term funding before the end of 2010. |
| **Counterparty risk** | |
| The risk that a key supplier or operational partner ceases to operate.<br><br>Banks: Funding lines or cash balances for withdrawal by agents to use in providing loans to customers are unavailable.<br><br>Other: Business failure of a counterparty, such as an IT services outsourcer, that causes significant disruption or impact on our ability to operate. | Cash is held generally with A3 rated financial institutions. Institutions with lower credit ratings can only be used with full board approval.<br><br>All of the banks who provide us with funding or other services have continued to function.<br><br>There are regular risk assessments of other key counterparties. |

## Notes to the condensed consolidated interim financial information for the six months ended 30 June 2010 (continued)

| Strategic risk | Mitigation |
|---|---|
| **Currency risk** | |
| Reported results and related assets and liabilities are at risk of adverse exchange rate fluctuations. | The foreign exchange rates used to translate the majority of reported earnings within a financial reporting period are hedged. |
| Earnings are adversely affected by currency movements. | 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.

**Tax risk**

Adverse changes in, or conflicting interpretations of, the different countries' tax legislation and practice may lead to an increase in the Group's taxation liabilities and effective tax rate.

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 in-country and in the UK.

Where possible, tax treatments are agreed in advance with relevant authorities. Provision against adverse tax rulings is included in the balance sheet.

**Financial services regulation and legislation**

Changes to the regulation of credit or the sale of credit by intermediaries or other laws may impact the operation of the business and/or result in higher costs.

Breaches of regulation may result in fines or the withdrawal of operating licences.

It is important that regulators and governments understand our business and its positive role within the consumer credit market. We foster open relationships with regulatory bodies and closely monitor 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 along with Eurofinas in Brussels.

An international legal committee operates to oversee legal risks across the Group and take external legal advice ensuring we remain compliant.

## Notes to the condensed consolidated interim financial information for the six months ended 30 June 2010 (continued)

**Strategic risk**

**Reputation risk**

Our reputation is adversely affected by poor customer service, adverse publicity or poor relations with regulators or opinion formers.

**Mitigation**

We monitor the provision of a high quality service to our customers and apply the FSA's Treating Customers Fairly principles across our business. We pro-actively communicate with stakeholders, regulators and opinion formers.

| Strategic risk | Mitigation |
|---|---|
| **Credit risk and responsible lending** | |
| The failure to respond appropriately to changes in the credit risk profile of our target market and existing customer base.<br><br>Performance not optimised through failure to lend to good quality customers.<br><br>Increased impairment impacts profitability and employee and agent engagement leading to increased turnover. | We have effective credit management systems in place for evaluating and controlling the risk from lending to new and existing customers – these are managed at branch level. This is supplemented by the weekly contact between our agents and customers allowing a regular assessment of credit risk. Our agents are incentivised primarily to collect not lend.<br><br>Group and country level credit committees review credit controls at country and branch level each month allowing rapid response to the changing market.<br><br>Performance is monitored against benchmarks set for each product term and loan sequence. |
| **Service disruption** | |
| Day-to-day operations disrupted in the event of damage to, or interruption or failure of, information and communication systems.<br><br>Failure to provide quality service to customers and loss of data.<br><br>Disruption of activities increases costs or reduces potential net revenues. | Robust business continuity process, procedures and reporting framework in place to enable us to continue trading in the event of such an occurrence. These are regularly tested and reviewed. Strategies are revised where necessary.<br><br>Continuous investment in, and development of, IT platforms. |

## Notes to the condensed consolidated interim financial information for the six months ended 30 June 2010 (continued)

| Strategic risk | Mitigation |
|---|---|
| **Health and safety** | |
| The failure to provide an appropriate working environment for our employees and agents.<br><br>Employees and agents have safety concerns that impact engagement and productivity. | The Group has a Head of Health and Personal Safety who ensures that the health and personal safety committee and policies are in place and operating effectively.<br><br>Formal safety guidance provided to employees and agents as part of their induction programme together with ongoing safety awareness refreshers.<br><br>We continually seek to improve our processes to ensure high standards of safety. |

### 3. Related parties

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

### 4. Statement of directors' responsibilities

The following statement is given by each of the directors: namely; John Harnett, Chief Executive Officer; David Broadbent, Finance Director; Craig Shannon, Development Director; Christopher Rodrigues, Non-executive Chairman; Charles Gregson, Non-executive director; Tony Hales, Non-executive director; Edyta Kurek, Non-executive director; John Lorimer, Non-executive director; and Nick Page, Non-executive director. The directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union, and that this interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8. The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Notes to the condensed consolidated interim financial information for the six months ended 30 June 2010 (continued)

### 5. Segmental information

**Geographical segments**

| | **Unaudited Six months ended 30 June 2010 £m** | Unaudited Six months ended 30 June 2009 £m | Audited Year ended 31 December 2009 £m |
|---|---|---|---|
| **Revenue** | | | |
| Central Europe | **227.5** | 217.4 | 439.6 |
| Mexico | **50.3** | 32.3 | 74.8 |
| Romania | **24.9** | 15.3 | 35.8 |
| | **302.7** | 265.0 | 550.2 |
| **Impairment** | | | |
| Central Europe | **69.0** | 77.2 | 123.5 |
| Mexico | **20.1** | 12.4 | 27.7 |
| Romania | **8.2** | 6.3 | 13.1 |
| | **97.3** | 95.9 | 164.3 |
| **Profit before taxation** | | | |
| Central Europe | **35.9** | 20.7 | 76.5 |

| | | | |
|---|---|---|---|
| UK – central costs[2] | **(6.3)** | (6.2) | (12.7) |
| Established markets | **29.6** | 14.5 | 63.8 |
| Mexico | **0.7** | (3.5) | 0.3 |
| Romania | **0.2** | (1.9) | (2.4) |
| Developing markets | **0.9** | (5.4) | (2.1) |
| Profit before taxation, pension curtailment gain and fair value adjustments | **30.5** | 9.1 | 61.7 |
| Pension curtailment gain[2] | **2.9** | - | - |
| Fair value adjustments[2] | **3.5** | 3.3 | - |
| **Profit before taxation – continuing operations** | **36.9** | 12.4 | 61.7 |
| Discontinued operations | **-** | (10.8) | (10.7) |
| **Profit before taxation** | **36.9** | 1.6 | 51.0 |
| | | | |
| **Total assets** | | | |
| Central Europe | **443.9** | 462.2 | 518.1 |
| Mexico | **84.4** | 59.2 | 76.2 |
| Romania | **50.9** | 35.1 | 48.5 |
| UK[2] | **32.5** | 32.3 | 27.7 |
| **Continuing operations** | **611.7** | 588.8 | 670.5 |

## Notes to the condensed consolidated interim financial information for the six months ended 30 June 2010 (continued)

### 5. Segmental information (continued)

The segments shown above (Central Europe, Mexico and Romania) 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. Although they review the performance of all markets separately, Poland, Czech-Slovakia and Hungary are considered to be one reportable segment, on the basis of their similarities (in products, customer profile and collection methods). IFRS key statistics information analysed by market is available on the Group's website (www.ipfin.co.uk/pages/Key_performance_stats).

### 6. Tax expense

The tax expense for the period in respect of continuing operations has been calculated by applying the directors' best estimate of the effective tax rate for the year, which is 26.0 % (30 June 2009: 28.0%, 31 December 2009: 26.0%) to the profit for the period. The tax charge in respect of discontinued operations is £nil (30 June 2009: charge of £2.0 million, 31 December 2009: charge of £2.1 million).

### 7. Earnings per share

| | **Unaudited** | Unaudited | Audited |
|---|---|---|---|

[2] Although the UK central costs, pension curtailment gain and the fair value adjustments 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.

| | **Six months ended 30 June 2010 pence** | Six months ended 30 June 2009 pence | Year ended 31 December 2009 pence |
|---|---|---|---|
| Basic EPS – continuing operations | **10.76** | 3.52 | 17.78 |
| Dilutive effect of options | **(0.11)** | - | (0.11) |
| **Diluted EPS – continuing operations** | **10.65** | 3.52 | 17.67 |

| Basic EPS analysed as: | **Unaudited Six months ended 30 June 2010 pence** | Unaudited Six months ended 30 June 2009 pence | Audited Year ended 31 December 2009 pence |
|---|---|---|---|
| Central Europe | **10.47** | 5.88 | 22.04 |
| UK central costs | **(1.84)** | (1.76) | (3.66) |
| Established markets | **8.63** | 4.12 | 18.38 |
| Mexico | **0.20** | (1.00) | 0.09 |
| Romania | **0.06** | (0.54) | (0.69) |
| **EPS from continuing operations before pension curtailment gain and derivatives** | **8.89** | 2.58 | 17.78 |
| Pension curtailment gain | **0.85** | - | - |
| Fair value adjustments | **1.02** | 0.94 | - |
| **EPS from continuing operations** | **10.76** | 3.52 | 17.78 |



### 7. Earnings per share (continued)

Basic earnings per share (EPS) from continuing operations is calculated by dividing the earnings attributable to shareholders of £27.3 million (30 June 2009: £8.9 million, 31 December 2009: £45.6 million) by the weighted average number of shares in issue during the period of 253.6 million which has been adjusted to exclude the weighted average number of shares held by the employee trust (30 June 2009: 253.2 million, 31 December 2009: 256.5 million).

For diluted EPS the weighted average number of shares has been adjusted to 256.3 million (30 June 2009: no adjustment as no dilutive shares, 31 December 2009: adjusted to 258.1 million to take account of all potentially dilutive shares).

**Earnings/(loss) per share – including discontinued operations**

| | **Unaudited Six months ended 30 June 2010** | Unaudited Six months ended 30 June 2009 | Audited Year ended 31 December 2009 |
|---|---|---|---|

| | **pence** | pence | pence |
|---|---|---|---|
| Basic EPS – including discontinued operations | **10.76** | (1.54) | 12.78 |
| Dilutive effect of options | **(0.11)** | - | (0.08) |
| **Diluted EPS – including discontinued operations** | **10.65** | (1.54) | 12.70 |

The earnings/(loss) per share including discontinued operations has been calculated by dividing the profit in respect of continuing and discontinued operations of £27.3 million (30 June 2009: loss of £3.9 million, 31 December 2009: profit of £32.8 million) by the same number of shares as in the EPS from continuing operations calculation.

**8. Dividends**

The final dividend for 2009 of 3.40 pence per share was paid to shareholders on 21 May 2010 at a total cost to the Group of £8.6 million. The directors propose an interim dividend in respect of the financial year ended 31 December 2010 of 2.53 pence per share payable to shareholders who are on the register at 10 September 2010. This will amount to a total dividend payment of £6.5 million. This dividend is not reflected as a liability in the balance sheet as at 30 June 2010.

## Notes to the condensed consolidated interim financial information for the six months ended 30 June 2010 (continued)

**9. Property, plant and equipment**

| | **Unaudited Six months ended 30 June 2010 £m** | Unaudited Six months ended 30 June 2009 £m | Audited Year ended 31 December 2009 £m |
|---|---|---|---|
| Net book value at start of period | **39.5** | 52.4 | 52.4 |
| Exchange adjustments | **(2.8)** | (5.7) | (3.8) |
| Additions | **4.8** | 2.1 | 7.9 |
| Disposals | **(0.8)** | (2.1) | (3.6) |
| Depreciation | **(5.8)** | (7.3) | (13.4) |
| **Net book value at end of period** | **34.9** | 39.4 | 39.5 |

As at 30 June 2010 the Group had £3.2 million of capital expenditure commitments with third parties that were not provided for (30 June 2009: £3.1 million, 31 December 2009: £2.9 million).

**10. Amounts receivable from customers**

| | **Unaudited 30 June 2010 £m** | Unaudited 30 June 2009 £m | Audited 31 December 2009 £m |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Central Europe | **372.5** | 374.0 | 426.3 |
| Mexico | **64.4** | 44.6 | 60.7 |
| Romania | **37.1** | 25.8 | 38.6 |
| **Total receivables** | **474.0** | 444.4 | 525.6 |

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

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows receivable discounted at the average effective interest rate ('EIR') of 130% (30 June 2009: 123%, 31 December 2009: 126%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 4.9 months (30 June 2009: 4.8 months, 31 December 2009: 5.1 months).

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

Revenue recognised on amounts receivable from customers which have been impaired was £192.1 million (6 months to 30 June 2009: £170.3 million, 12 months to 31 December 2009: £335.8 million).

## Notes to the condensed consolidated interim financial information for the six months ended 30 June 2010 (continued)

### 11. Borrowings

| | **Unaudited 30 June 2010 £m** | Unaudited 30 June 2009 £m | Audited 31 December 2009 £m |
|---|---|---|---|
| Due in less than one year | **19.1** | 8.6 | 111.6 |
| Due between one and two years | **252.3** | 90.9 | 221.0 |
| Due between two and five years | **9.8** | 204.6 | - |
| | **262.1** | 295.5 | 221.0 |
| **Total borrowings** | **281.2** | 304.1 | 332.6 |

### 12. Retirement benefit obligation

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

| | **Unaudited 30 June 2010 £m** | Unaudited 30 June 2009 £m | Audited 31 December 2009 £m |
|---|---|---|---|
| Equities | **16.2** | 14.2 | 16.8 |
| Bonds | **7.2** | 6.2 | 6.9 |

| | | | |
|---|---|---|---|
| Index-linked gilts | **4.8** | 4.1 | 4.7 |
| Other | **2.9** | 2.1 | 2.5 |
| Total fair value of scheme assets | **31.1** | 26.6 | 30.9 |
| Present value of funded defined benefit obligation | **(37.1)** | (29.4) | (38.4) |
| **Net obligation recognised in the balance sheet** | **(6.0)** | (2.8) | (7.5) |

The charge recognised in the income statement in respect of defined benefit pension costs is £0.2 million (6 months to 30 June 2009: £0.3 million, 12 months to 31 December 2009: £0.6 million). The Group's defined benefit pension scheme was closed to future accrual with effect from 1 March 2010 and this crystallised a pension curtailment gain of £2.9 million, which is included as a credit within other operating costs in the consolidated income statement.

## Notes to the condensed consolidated interim financial information for the six months ended 30 June 2010 (continued)

### 13. Average and closing foreign exchange rates

The table below shows the average exchange rates for the relevant reporting periods, closing exchange rates at the relevant period ends, together with the rates at which the Group has economically hedged a proportion of its expected profits for the second half of the year. This second half profit hedging has resulted in a "mark-to-market" fair value adjustment of £3.6 million at 30 June 2010 as a result of a depreciation in Central European currencies against Sterling, partially offset by an appreciation of the Mexican Peso. This gain will unwind as the contracts mature in the second half of the year.

| | Average H1 2009 | Closing June 2009 | 2009 Year | Closing Dec 2009 | **Average H1 2010** | **Closing June 2010** | **Contract H2 2010** |
|---|---|---|---|---|---|---|---|
| Poland | 4.58 | 5.22 | 4.58 | 4.62 | 4.67 | 5.14 | 4.69 |
| Czech Republic | 29.70 | 30.38 | 29.46 | 29.75 | 29.47 | 31.85 | 29.55 |
| Slovakia | 1.14 | 1.17 | 1.12 | 1.13 | 1.13 | 1.24 | 1.12 |
| Hungary | 337.68 | 319.12 | 323.09 | 303.63 | 314.78 | 355.21 | 314.42 |
| Mexico | 20.05 | 21.70 | 21.07 | 21.10 | 19.45 | 19.40 | 20.72 |
| Romania | 4.65 | 4.93 | 4.63 | 4.77 | 4.78 | 5.42 | 4.99 |

The £27.8 million exchange loss on foreign currency translations shown within the consolidated statement of comprehensive income arises on retranslation of net assets denominated in currencies other than Sterling, due to the depreciation of rates against Sterling between December 2009 and June 2010 shown in the table above.

### 14. Fair value adjustments

In January and May 2010 we entered into foreign currency contracts to lock-in a proportion of our forecast profits at the exchange rate in place at that time. As currencies have generally depreciated since these dates the result for the six months to June 2010 includes a gain of £3.6 million (30 June 2009: £4.2 million) on the contracts that relate to the second half of the year.

This is offset by a fair value loss of £0.1 million (30 June 2009: £0.9 million) on interest rate contracts which have become ineffective and on other hedging instruments. The net gain of £3.5 million (30 June 2009: £3.3 million) is included as a credit within other operating costs in the consolidated income statement.

## Report on review of condensed consolidated interim financial information for the six months ended 30 June 2010

### Introduction

We have been engaged by the Group to review the condensed consolidated interim financial information in the half-yearly financial report for the six months ended 30 June 2010, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial information.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority. As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial information included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

### Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed consolidated interim financial information in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Group for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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 review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review

procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Report on review of condensed consolidated interim financial information for the six months ended 30 June 2010 (continued)

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

**PricewaterhouseCoopers LLP**
*Chartered Accountants*
*Edinburgh*
22 July 2010

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