International Personal Finance plc

Annual Report and Financial Statements 2009

International
Personal Finance

The human face of finance

International Personal Finance plc aims to be recognised around the world as the human face of finance, particularly to people of modest means.

In this integrated annual report we report on our financial and material non-financial performance during 2009. We have included a broader range of information about the social and environmental context within which we do business than in previous years.

The purpose of this report is to provide information to shareholders. It will also inform wider stakeholders who seek to understand our business better. Additional information is available on our website.

International
Personal
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www.ipfinannualreport.co.uk

Our 2009 Annual Report and Financial Statements can be viewed and downloaded online.
Printed copies are available from the Company Secretary.

The purpose of this report is to provide information to the members of the Company. The Annual Report 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 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 should be construed as a profit forecast.

International Personal Finance plc
Company number: 6018973

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Our vision and values

Welcome

Welcome to International Personal Finance plc's 2009 Annual Report and Financial Statements.

Our vision

We are 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

Fundamental attitudes and values continue to drive the customer focus of the business.

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

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

We're straightforward
Being open and transparent in everything we do.

Group highlights

Profit before tax

£61.7m

from continuing operations (2008: £76.3 million).

Earnings per share

17.78p

from continuing operations (2008: 21.48 pence).

- Our strong focus on credit control and cost reduction delivered a resilient performance and a rapid recovery from the global recession, with Quarter 4 profit up by 9%.
- We have reduced borrowings by £101.7 million, reflecting tight management of working capital and capital expenditure; we have good headroom on all banking covenants and committed bank facilities to fund the business through to October 2011.
- Our Hungarian business, which has been the most severely impacted by recession, returned to profitability in the second half by significantly reducing costs and downsizing to a core of good quality customers.
- Mexico delivered its first annual profit, as planned, reflecting a combination of strong customer growth, stable credit quality and an improved cost-income ratio. Third region to be opened in Monterrey in 2010.
- Proposed final dividend maintained at 3.40 pence per share, making full year dividend 5.70 pence (2008 full year dividend: 5.70 pence).

Group at a glance

Our company

Our history

Established in 1997 as the international division of Provident Financial plc. Demerged from Provident Financial plc in July 2007 and became a separate listed company, International Personal Finance plc.

Our business

We provide small sum, short-term, unsecured loans normally repayable over 6 month or 12 month terms.

We are different because of our high level of personal service, with loans delivered rapidly and conveniently to the customer's home and repayments collected each week by a dedicated agent. We aim to be a responsible lender with systems and measures in place to help ensure customers are not overburdened.

We undertake responsible business initiatives within the communities we operate and invest in social issues to support business growth.

Our operations

We focus on emerging markets because they have relatively undeveloped consumer credit markets and offer the prospect of profitable growth.

We operate in six countries – Poland, Hungary, the Czech Republic, Slovakia, Mexico and Romania.

Our strategy

We continue to improve the efficiency and effectiveness of our home credit business model and progressively enter new emerging markets when the time is right. We believe this will generate continued long-term profitable growth.

Group statistics

Number of customers

2.06m

Number of agents

26,200

Revenue

£550.2m

Credit issued

£710.0m

Net receivables

£525.6m

Number of employees

6,200*

*Excluding agents.

Our markets

Established markets

Poland

Page 51

Established	1997
Population	38 million
Number of customers	758,000
Number of employees	2,400
Number of agents	10,500
Number of branches	79
Credit issued per customer	£347
Currency	Polish zloty

Czech Republic and Slovakia

Page 52

Czech Republic established	1997
Slovakia established	2001
Population Czech Republic	10 million
Population Slovakia	5 million
Number of customers	383,000
Number of employees	880
Number of agents	4,200
Number of branches	36
Credit issued per customer	£457
Currency Czech Republic	Czech crown
Currency Slovakia	Euro

Hungary

Page 53

Established	2001
Population	10 million
Number of customers	227,000
Number of employees*	800
Number of agents	2,600
Number of branches	24
Credit issued per customer	£324
Currency	Hungarian forint

*Excluding agents.

Developing markets

Mexico

Page 55

Established	2003
Population	106 million
Number of customers	524,000
Number of employees	1,500
Number of agents	6,500
Number of branches	39
Credit issued per customer	£222
Currency	Mexican peso

Romania

Page 56

Established	2006
Population	22 million
Number of customers	164,000
Number of employees	450
Number of agents	2,400
Number of branches	16
Credit issued per customer	£515
Currency	Romanian leu

Key messages

Our customers want small loans repayable over relatively short-terms. They value the personal service, convenience and flexibility of home credit. Our large-scale agent network and infrastructure enables this personal service and differentiates us in the market place.

A resilient business model

We operate a long-established and profitable business model. It allows us to adapt to the changing business environment. Despite the worst global economic crisis in 80 years, the business made a good profit and is well positioned for an improved performance.

Go to Our business model on page 28

Managing the business through the downturn

Our business model has proved to be resilient and profitable. It has been well tested and, while 2009 has been a challenging year, the rapid recovery from the impact of the recession and our performance throughout the year demonstrates the resilience of our business model, the effectiveness of our credit risk management systems and our ability to manage costs. We aim to be a well run, customer-centric business which is continually improving efficiency and effectiveness.

Go to Performance review on page 39

Group profit before tax

£61.7m

Costs reduced in Central Europe by

10%

Home credit provides a convenient way for people from all walks of life to borrow money quickly, in a manageable and transparent way. Our customers like our service and we consistently achieve high satisfaction ratings.

An attractive customer proposition

We play a positive role in the communities we serve, providing small sum, unsecured loans delivered weekly by dedicated agents. Our customers like our fast, friendly and trustworthy service together with flexible, manageable repayments.

Go to Home credit and the customer on page 30

Our customers

Our business depends on earning and keeping the trust of our customers. Customer treatment and responsible lending are key issues and, as a large provider of home credit, we understand how important they are to business success. We are voluntarily aligning our business to the UK Financial Services Authority's Treating Customers Fairly principles. We have developed Customer Principles which emphasise the customer focus of our business and help us to consider the impacts of our decisions on our customers. In 2009, we launched a Customer Charter which enables us to communicate better to customers the levels of service they can expect and sets clear standards so we are better able to monitor performance.

Go to Responsible lending on page 31

Customer satisfaction

72%

Customer retention

73%

Key messages

We have established leading, national businesses in our Central European markets and the businesses in our developing markets of Mexico and Romania are growing rapidly. The economic outlook where we operate is generally more positive than in 2009, consumer lending remains relatively under-served and the economic downturn has resulted in reduced levels of competition.

Well positioned for growth

We have a clear, consistent strategy for long-term, profitable growth. We will continue to improve the efficiency and effectiveness of our home credit business model and progressively enter new, emerging markets when the time is right.

Go to Strategy on page 14

Future opportunities

We strive to be a well managed, ethical business supported by policies, principles and good governance which is particularly important for operating in emerging markets. We also have well-established processes to recruit, develop and retain talented management who will drive the future success of our business. We aim to optimise the profitability of our established Central European businesses where demand for credit is high and we have strong brand recognition. We also plan to realise the long-term potential of our developing markets of Mexico and Romania. In addition, we have identified a number of countries for potential new home credit businesses and, if conditions are right, may initiate a new country pilot in 2011.

Go to Strategy on page 14

Mexico maiden full year profit

£0.3m

Geographical coverage to date in Mexico

22%

Our lending is short-term and based on close personal relationships with our customers. This means the business is flexible and responsive during changing economic conditions.

Strong financial fundamentals

The home credit model is capital generative and profitable. The Group balance sheet is well capitalised. The ratio of equity to receivables has increased to 49%.

Go to Performance review on page 39

Strong financial fundamentals

We have retained a strong financial position throughout 2009 despite the impact of the global recession. The balance sheet remains well capitalised, with equity to receivables increasing to 49%, borrowings reducing by over £100 million and gearing reducing to 1.3x. There are sufficient committed bank facilities to fund the business plan through until October 2011 and our Central European businesses continue to be highly cash and capital generative – this provides a key component of the funding required to support our business plan.

Go to Performance review on page 39

Equity to receivables ratio

49%

Headroom on external bank borrowing facilities

£265.7m

Chairman's statement

Welcome to the 2009 International Personal Finance plc Annual Report and Financial Statements.

In this Annual Report, we are integrating more material non-financial data and we hope this gives you a fuller picture of the Group's current performance and future potential.

We believe our corporate responsibility obligations underpin our vision, values and business principles. They are an integral part of how we do business and we have reflected this, for the first time, by securing external assurance on some of our customer-related key non-financial performance indicators. We have done this as we believe customer treatment to be material to the business.

Trading performance

In 2009, we faced the first major global recession since our business began its operations in emerging markets in 1997.

In last year's Annual Report we wrote about the resilience we expected of our business. We anticipated a sharp rise in impairment as our customers' incomes and their ability to repay loans deteriorated as the global recession reached our markets. However, we also said that our focus on responsible lending, personal relationships and short-term lending would help our business weather the storm, recover quickly and be well placed for growth in the subsequent recovery.

As expected, there were significant economic challenges to our business in the first half of the year, in particular the exceptional impact of the recession in Hungary, but we responded effectively with a material improvement in the second and third quarters, and a return to year on year profit growth for the Group in Quarter 4.

Our profit before tax of £61.7 million for the year from continuing operations was down from the £76.3 million in 2008 reflecting the scale of the recession but was nonetheless encouraging for a small sum, unsecured lending business in emerging markets.

An important part of our strategy is to realise the potential of our developing businesses in Mexico and Romania. Here, progress was good. Mexico reported its first annual profit and in Romania start-up losses were much reduced and the country remains on track for its first annual profit in 2010. We continue to believe there is considerable further potential in both of these markets.

Our decision to close our Russian pilot operation during 2009 was only reached after very careful consideration. Whilst the results during the pilot were not as good as we had seen at the same stage in previous market tests, our key concern was to reduce the risk and financial strain to the Group during a period of considerable external economic uncertainty. We expect to return to new country expansion once economic and financial market conditions are more settled.

Christopher Rodrigues
Non-Executive Chairman

> “An important part of our strategy is to realise the potential of our developing businesses in Mexico and Romania.”

Board changes

It is now nearly three years since the Company was established as a separate listed company and I am pleased to announce some changes to the board. We have recently appointed Edyta Kurek as a new non-executive director. Edyta is Polish and brings a wealth of relevant experience to the board having worked at a senior level for other large agent-based organisations. A further new non-executive director John Lorimer will, subject to shareholder approval, be appointed at the annual general meeting ('AGM'). One of our non-executive directors, Ray Miles will be standing down at the AGM after long service with us (and, prior to the demerger, with Provident Financial). He has made a significant contribution to the development of the business and we extend our warmest thanks to him. With effect from the AGM he will be replaced as senior independent director by Tony Hales. I am delighted that Charles Gregson has agreed to extend his term for a further year to ensure that there is continuity whilst the new directors establish themselves in their new roles and so the Company can benefit from his long experience and knowledge of the business. However, during this further term from 30 June 2010 he will no longer be regarded as an independent non-executive director.

Looking forward

2010 is a year in which we will be focused on re-energising our existing business and further improving our operating performance. We are already seeing benefits from the use of branch level credit controls and a new process for measuring and managing branch profitability. This contributed significantly to our ability to recover rapidly from the impact of the recession. There is more to come from these new techniques and an important event for 2010 will be a large-scale test of hand-held technology for agents and development managers in the Hungarian market.

Our committed bank facilities are sufficient to fund the growth of the business through to their expiry in October 2011, but we plan to secure medium-term funding for our business plan during 2010.

The economies in which we operate are returning to growth and, whilst uncertainty remains as to the strength of the global recovery, we expect conditions in 2010 to be more favourable than in 2009. We ended the year with good credit quality and improving performance and we are well placed to carry this forward into 2010.

Christopher Rodrigues
Non-Executive Chairman

> “2010 is a year in which we will be focused on re-energising our existing business and further improving our operating performance.”

Overview

The 2009 global recession was the first faced by our business and, as we expected, we were negatively impacted. Our profit reduced and we needed to restructure our business in Hungary, but we continued to report a good level of profit. We have proven our business model to be cash generative and resilient. We enter 2010 with a strong, profitable business and a good foundation for future growth.

Entering 2009, we had prepared for the impending impact of the global recession. We focused on credit control, cost management and managing cash flow. Credit controls were substantially tightened, management focused on collections quality rather than growth, and both borrowings and costs were reduced. The outturn for the year clearly reflects both the recessionary external environment and the focus of management action: Customer numbers, receivables and revenue remained relatively flat but profit before tax from continuing operations reduced by 19% to £61.7 million (2008: £76.3 million). Impairment costs increased by £37.1 million (31%) but were largely offset by a reduction in agents' commission costs of £8.0 million (9%) and other costs of £23.2 million (5%). Finance costs increased by 5% reflecting the increase in funding costs since October 2008.

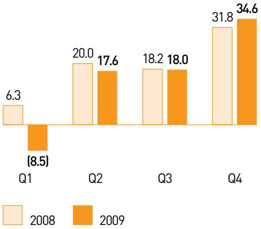
Several years of investment in people, training and infrastructure are required before new markets reach the scale and maturity needed to earn a profit. Our operations in the developing markets of Mexico and Romania made good progress on this journey during the year, with start-up losses from the two markets combined reduced to £2.1 million (2008: £16.5 million). Mexico passed the 500,000 customer milestone and reported its first annual profit and Romania reached 164,000 customers and reported a much reduced loss. We expect these markets to make a growing and significant contribution to the results of the Group in the medium-term and this performance is, therefore, very encouraging.

The greatest impact of the recession was in Central Europe and, as a result, profit from our established Central European markets reduced by £29.5 million (28%) from £106.0 million in 2008 to £76.5 million in 2009. Each of our Central European markets was badly affected by the recession in the first quarter of the year but as economic conditions stabilised and the actions we had taken in late 2008 gained traction, collections performance, credit quality and profitability improved.

Amongst the Central European markets our customers in Hungary were the most severely affected by the recession and this led to a sharp and sustained reduction in credit quality for almost a third of our 300,000 Hungarian customer base during the first half of 2009. As a result, impairment levels rose sharply and the market became loss making. In response, we removed agent service from about 80,000 'poor paying' customers and passed them to our centralised debt recovery team. In June and July we substantially reduced our headcount and cost base to a level commensurate with the reduced customer base. All affected employees were provided with appropriate redundancy packages and career advice. These actions, alongside continued tight credit controls, returned the Hungarian business to profit for the second half of the year and leave it well placed to rebuild its customer numbers and profitability over the medium-term.

John Harnett
Chief Executive Officer

Quarterly profit before taxation from continuing operations 2008 and 2009 (£m)



The closure of our pilot test of the Russian market reflected slower growth than we would have expected but we believe this largely reflected consumer caution during a period of recession, rather than a lack of underlying demand for our service. However, we reached the conclusion that the cost of continuing the pilot for a potentially long period whilst market conditions returned to normal was too great and that in the near-term our resources would be better used in the development of our existing markets. 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.

We have made significant progress with the programme of work to improve the quality, efficiency and consistency of execution of our business model. Collectively the programme is known as 'Excellence in Execution'. Our aim is to improve customer service, reduce operating costs and increase the effectiveness of our employees and agents. During the year, we implemented a unified definition of best practice with associated training, performance measurement and compliance testing. This allows us to better control the quality and consistency of our service delivery. We introduced a new approach to branch performance management which enables the setting of localised marketing activities, credit controls and profit targets, and measures profit performance at branch level. The result is a more granular and flexible response to local conditions and opportunities, and proved valuable during the challenging economic conditions we faced during 2009. We also worked on developing the software and systems to allow the use of hand-held technology for our agents and field managers. This offers the potential to improve administrative efficiency and the better execution of sales and credit strategies. Especially relevant is our treating customers fairly project which is helping us to emphasise the customer centricity of the business and consider better the impacts of our decisions on customers. We believe this is good for our business because it promotes responsible lending and high levels of customer satisfaction, and helps us to manage better the uncertain regulatory environment that is evident in the aftermath of the global recession.

Economic conditions, whilst uncertain, are continuing to improve and although severe weather in Central Europe has affected performance in January and early February, we expect the impact of this to unwind later in the year and so aim to carry the momentum achieved in the second half of 2009 into 2010, and to deliver improved results.

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 2009 in order to present the underlying performance variance.

> “Our actions returned the Hungarian business to profit for the second half of the year and leave it well placed to rebuild its customer numbers and profitability over the medium-term.”

Strategy

We have a clear, consistent strategy and established record of performance. We have successfully introduced home credit in six countries and developed a good track record of building profitable businesses.

Our strategy is simple. We intend to continue to improve the efficiency and effectiveness of our home credit business model and progressively enter and develop new, emerging markets when the time is right. We believe this will ensure continued profit growth and generate substantial shareholder value.

There are three strands to our strategy:

Optimise the profitability of established markets

We are working to optimise the profitability of our well-established businesses in Poland, the Czech Republic, Slovakia and Hungary. We have taken these businesses through the research, pilot and roll-out stages, and into the profit maximisation stage. There are substantial growth opportunities for these businesses. They have strong brand recognition, demand is high and the global economic downturn has resulted in reduced levels of competition. We are also supporting our growth aims with improved cost efficiency initiatives.

Bring the developing markets to profit and realise their full potential

Our aim is to bring our developing markets into profit as quickly as possible and, thereafter, deliver their long-term potential. Good progress was made in the year. Mexico reported its maiden full year profit in 2009 and Romania remains on track to report a profit in 2010.

Substantial opportunities for growth exist in Mexico and Romania where we have only partial geographic coverage to date. Growth will come from further branch openings, increased market penetration and from the maturing of the customer base, with repeat customers taking larger loans and generating higher revenue than new customers. We plan to open a third region in Monterrey, Mexico during 2010.

Enter new emerging markets

A key part of our strategy is to enter new, emerging markets that offer the prospect of sustainable future growth because demand for credit is growing strongly and / or the market is relatively under-served. We are monitoring economic conditions and will carry out a pilot in a new market when the time is right. This is unlikely to be before 2011.

> “We intend to continue to improve the efficiency and effectiveness of our home credit business model and progressively enter and develop new, emerging markets when the time is right.”

Our strategy

Established markets

Optimise the profitability of the well-established businesses in Central Europe – Poland, the Czech Republic, Slovakia and Hungary

- 2009 pre-tax profit £76.5 million

Developing markets

Bring the developing businesses in Mexico and Romania into profit and, thereafter, deliver their long-term potential

- Mexico maiden full year pre-tax profit £0.3 million
- Romania on track for profit in 2010

New markets

Enter new emerging markets that offer good growth prospects – when the time is right

- Possible new pilot activity in 2011

Measuring our performance

Our performance and development is evaluated against a number of key performance indicators ('KPIs') – both financial and non-financial. Delivery against our targets is measured on a weekly, monthly, quarterly and annual basis.

Executing our strategy

Our people

The execution of our strategy is supported by a strong senior management team. The team has a combination of long experience of the home credit operating model and wider financial services expertise. Our success also depends on recruiting and retaining high-calibre people at all levels of the organisation. Talent management and succession planning are important to achieving our development and future success and we have an effective system for identifying and developing talent across the business.

Excellence in Execution

Also key to the delivery of our strategy is our programme to improve efficiency, customer service and the consistent execution of the business model across a growing number of international markets.

We will also continue to invest in activities that add long-term value and growth opportunities to the business – addressing social issues such as financial literacy and also seeking to develop a greater understanding of the business through public policy work and stakeholder engagement.

> "The execution of our strategy is supported by a strong senior management team and Excellence in Execution programme."

Market overview

We operate in the consumer credit sector of the financial services industry. Products in this sector include credit cards, unsecured personal loans, retail credit, overdrafts, home credit, home shopping catalogues and pawnbroker lending.

We focus on home credit in emerging markets where demand for credit is growing and markets are relatively under-served.

Strong competitive position

With a strong brand and local market insight and infrastructure, we are well placed to strengthen our market position. We believe:

- the economic outlook for the markets in which we operate is positive;
- the consumer lending market in these countries remains relatively under-served; and
- we have a well-established brand in each market.

Economic outlook

Trading conditions in the first quarter of 2009 were exceptionally challenging but progressively improved. By Quarter 3, the global economy appeared to be at a turning point with most of the G20 economies expected to return to positive growth. Although there is still a relatively high level of economic uncertainty and unemployment statistics are expected to deteriorate for part of 2010, stronger demand and consumer confidence indices have led to a more optimistic near-term outlook. This mirrors our experience in the markets we serve.

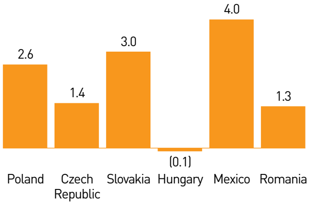
GDP forecasts indicate a return to economic growth for most of our markets in 2010. The economies in Poland, the Czech Republic, Slovakia and Romania are expected to grow between 1.3% and 3.0% and Mexico is forecast to grow by 4.0%. GDP in Hungary is forecast to contract slightly by 0.1% in 2010. In addition, the general trend in consumer confidence has been more positive since April with the exception of Romania. This market appears to have entered the recession later than the other markets and we remain cautious at this stage regarding its economic outlook.

Emerging markets with reduced competition

A common feature of the emerging markets in which we operate is the rapid growth in the size of the market for consumer credit. At the same time, these consumer credit markets remain significantly smaller in relation to GDP than those of the developed Western economies of the UK and the USA.

Additionally, since the onset of the global economic downturn, the level of competition has reduced. Many mainstream lenders have limited their supply of credit to customers in all our markets and a number of direct and indirect competitors withdrew from the market during 2009. This may, in time, result in increased market potential for our business.

Forecast GDP growth 2010 (%)



Source: Citibank

Brand reputation and awareness

Over the past 12 years, our business has grown organically and now serves over two million customers. We have brand awareness levels comparable to the market leader in the financial services sector in most of our markets and have built a track record for delivering high-quality service resulting in consistently high customer satisfaction ratings.

We have effectively created a new product category through the Provident brand in all our markets and are now synonymous with the short-term, small sum, home-collected loan segment.

Regulation and legislation

We work with policy makers and legislators in all our markets to ensure the full impacts of any proposed legislation and any wider consequences on the financial market are understood.

During 2010, the new EU Consumer Credit Directive ('CCD') will be implemented across member states. The most significant features will be a harmonisation of the definition of the Annual Percentage Rate ('APR') to be quoted in any consumer credit agreement. In addition, the CCD will specify the method of calculation of the rebate accruing to a customer in the event of early settlement.

There continues to be a debate about the possible introduction of rate caps in the Czech Republic and Mexico and there are also proposed changes to the existing cap in Slovakia. Whilst specific regulation of charges or interest rates do not exist in Hungary, amendments to the Hungarian Banking Act have been approved with effect from 1 June 2010, whereby a financial institution is permitted only to grant to an individual customer in any calendar year one consumer loan, of which the APR exceeds 65%.

We expect that these likely and potential changes will require some changes in the operational systems and product structures in certain markets and we are well prepared.

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 ourselves. 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.

> “With a strong brand and local market insight and infrastructure, we are well placed to strengthen our market position.”

Key performance indicators

We have well-established and effective risk management systems covering operational, credit, financial and regulatory risk, combined with high standards of corporate governance. In addition to the scope of the financial audit, the following key performance indicators ('KPIs'), marked▲, have been externally assured.

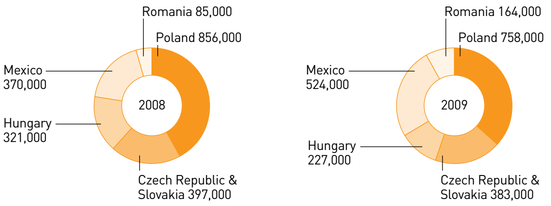
Financial

Customer numbers

The total number of customers across the Group. At the end of 2009 we had 2.06▲ million customers.

Strategic link

- Quality customers drive the business, generating revenue and ultimately profit. Increasing the number of high-quality customers serves to support our long-term growth strategy in both new and existing markets.

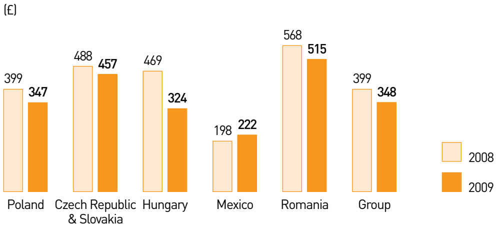


Credit issued per customer

The value of money loaned to customers normally measured over the previous 12 months.

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 partly driven by good repayment behaviour. We adopt a 'low and grow' strategy and only issue more credit to a customer once their creditworthiness is proven.
- In 2009, credit issued per customer decreased (with the exception of Mexico) as a result of credit tightening to manage the impact of the economic downturn on the business.



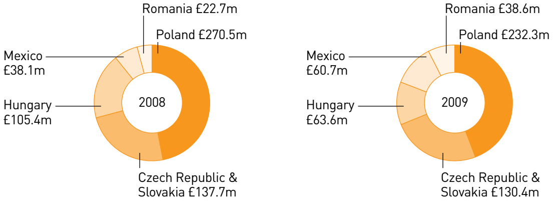
The graph shows credit issued per customer in 2008 and 2009

Net customer receivables

The amount outstanding from customers for loans issued less impairment provisions calculated in accordance with our accounting policies. At the end of 2009 net customer receivables were £525.6 million.

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.

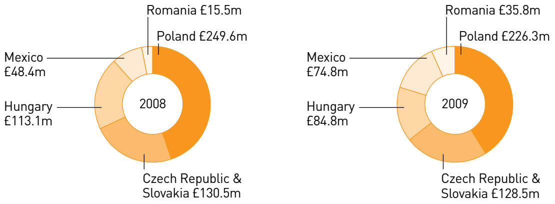


Revenue

Income generated from customer receivables. In 2009 revenue was £550.2 million.

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 grow profits and margins rapidly.

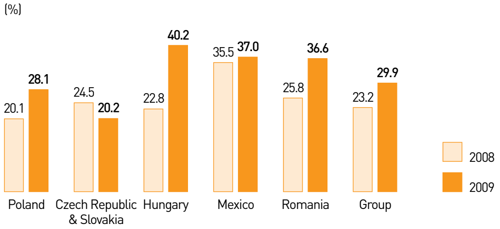


Underlying impairment

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.

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.



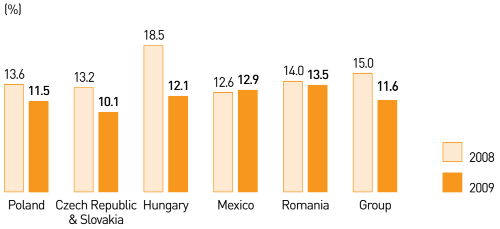
The graph shows the level of underlying impairment as a percentage of revenue (i.e. before the impact of one-off movements in provision or other adjustments)

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.



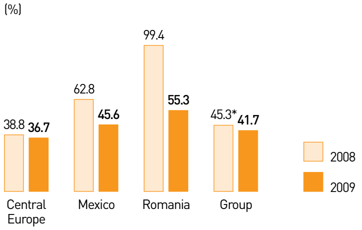
The graph shows forecast GCL for loans issued in 2009 and actual GCL in 2008. The forecasts for 2008 included in the 2008 Annual Report and Financial Statements were: Poland 9.6%; Hungary 10.8%; Slovakia 11.1%; Romania 9.9%; and Group 10.7%

Expenses

The costs of servicing customers – including agents' commission, funding costs and the direct expenses of running the business. 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% to 6% of our revenues.
- Commission costs represent around 12% of revenues.



The graph shows direct expenses as a percentage of revenue
*After excluding discontinued operations.

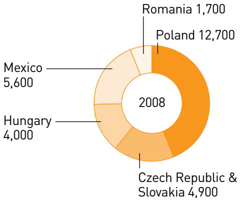
Non-financial

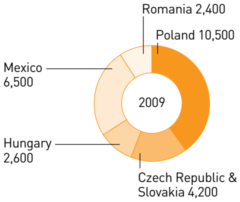
Agent numbers

The number of agents in the business. At the end of 2009 we had 26,200▲ agents.

Strategic link

- Agents are central to the success of the business model and customer service. They recruit customers and make collections from them.
- More agents generally means more customers can be recruited and managed and that we are able to provide an improved and more consistent service.





Employee stability and agent retention

The proportion of employees and agents who remain with us a year after joining.

Strategic link

- Our business model requires us to select and train large numbers of new employees and agents. High levels of turnover are costly and can lead to the customer and agent relationship being broken which in turn leads to higher impairment.
- Engaged employees and agents are crucial to achieving excellent business performance.
- Increasing attention on agent performance will help us ensure quality agents are in place.

Employee stability

2008
75%

2009
79%

Agent retention

2008
44%

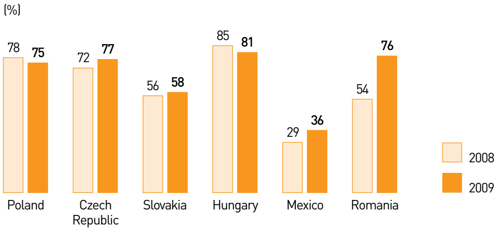
2009
43%▲

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.



The graph shows the proportion of the adult population who recognise our brand

Conversion rates

The proportion of potential new customers interested in having a loan, who actually receive one.

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.
- The reduction in conversion rate in 2009 was predominantly due to credit tightening to manage the impact of the economic downturn on the business.

2008
50%

2009
44%

Customer retention

A measure of customers eligible to take out repeat home credit loans, because their repayment performance has been of a high standard, who actually do so.

Strategic link

- After allowing for the cost of recruitment and higher levels of impairment, little profit is made on new customers.
- Our aim is to retain good customers, build lasting relationships and increase their lifetime value.
- Higher customer retention drives higher customer numbers.

2008	2009
72%[†]	73%[▲]

[†] Restated from 70% in 2008 due to a change in calculation which now includes 'paid up' customers from the prior year who have subsequently returned as a customer in the reporting year. We believe this is a more accurate reflection of customer retention.

Customer satisfaction

The degree to which customers are satisfied with the home credit service. Regular customer research is undertaken to obtain feedback and measure satisfaction levels.

Strategic link

- Satisfied customers are likely to take out further loans or recommend us to their family and friends.
- Dissatisfied customers may indicate poor service and will lead to poor customer retention.

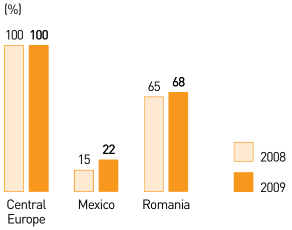
2008	2009
68%	72%[▲]

Percentage of servable population

The proportion of the country population that we can serve through our branch network and agency force.

Strategic link

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



The graph shows the proportion of the country population that we can serve in our markets

Credit exceptions

Credit exceptions are recorded in cases where lending has exceeded one or more credit parameters defined in Group or local credit rules (e.g. term exception, value exception, maximum rate exception or authorisation exception).

Strategic link

- To help us achieve responsible lending we have Group and local credit rules and monitor agent performance against these.
- Indicates where lending is not in compliance with Group or local credit policies and the level of risk-taking by us at the point of sale.

2008	2009
17.1%	3.7%[▲]

[▲] These KPIs have been externally assured by PricewaterhouseCoopers LLP 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 80.

Principal risks

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. 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. 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. Our close customer relationships and flexible credit scoring system 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 continually 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 the reducing costs of media as a result of the economic downturn.
Business development Failure to develop effectively the business and achieve strategic aims because management resources, IT and operational systems prove inadequate or insufficient.	A formal talent development programme aimed at delivering sufficient high-quality managers to meet future plans is in place. A learning and development framework has been implemented. 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. 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 49%. At 31 December 2009 there was headroom of £265.7 million on £598.3 million of syndicated and bilateral banking facilities. On 16 March 2010 our committed facilities will reduce by £160.0 million to £430.0 million with £386.0 million of this committed to October 2011. We have committed funding sufficient for our business plan until October 2011 and have clear plans to secure additional long-term funding.

Strategic risk	Mitigation
Counterparty risk The risk that a key supplier or operational partner ceases to operate. Banks: Funding lines or cash balances for withdrawal by agents to use in providing loans to customers are unavailable. 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. There are regular risk assessments of other key counterparties. All of the banks who provide us with funding or other services have continued to function.
Currency risk Reported results and related assets and liabilities are at risk of adverse exchange rate fluctuations. Earnings are adversely affected by currency movements.	The foreign exchange rates used to translate the majority of reported earnings within a financial reporting period are hedged. 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 both 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.

Principal risks continued

Strategic risk	Mitigation
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 to ensure we remain compliant.
Reputation risk Our reputation is adversely affected by ill-informed comment or malpractice. Damage to our brand and customer satisfaction ratings reduces customer demand.	We have an established corporate responsibility programme in place. We have voluntarily taken proactive steps to align the business to the FSA's Treating Customers Fairly principles. We have clear operating guidelines and policies to ensure consistency and compliance with our values. An active communications programme aims to foster a better understanding of the Company.

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. Performance not optimised through failure to lend to good quality customers. 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. Group and country level credit committees review credit controls at country and branch level each month allowing rapid response to the changing market. 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. Failure to provide quality service to customers and loss of data. 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. Continuous investment in, and development of, IT platforms.
Health and safety The failure to provide an appropriate working environment for our employees and agents. Employees and agents have safety concerns that impact engagement and productivity.	A health and personal safety committee and policies are in place. Formal safety guidance provided to employees and agents as part of their induction programme together with ongoing safety awareness refreshers. We continually seek to improve our processes to ensure high standards of safety.

How we do business

We are a responsible business that is well governed, ethical and supported by well defined policies, principles and systems.

Home credit provides a convenient way for people from all walks of life to borrow relatively small sums of cash in local currency, quickly, in a manageable and transparent way, usually for a period of about one year.

Product differentiation

We have succeeded in establishing leading market positions in the small sum, fast-cash loan segment in all of our established Central European markets and have created the home credit category in all markets we have entered. There are five key points of product differentiation:

Personal	Cash delivered to and collected weekly in the customer's home by a dedicated agent.
Rapid service	Credit vetting and delivery of the cash loan usually within 48 hours of first contact.
Flexible	Close agent-customer relationship means we are responsive to changing customer circumstances.
Inclusive	Products accommodate those on slightly below average incomes who want smaller loans and manageable repayments.
Accessible	Personal service provides unique levels of access to under-served consumers.

Standards of governance

We have well-established and effective risk management systems covering operational, credit, financial and regulatory risks, combined with high standards of corporate governance. The business adheres to a Group-wide code of ethics and whistle-blowing policy. We have extensive responsible lending and people management policies in addition to community, environment and responsible supply chain policies.

Consistent operations

We believe it is important to support longer-term, value-adding activities to help the business grow.

At the heart of our Excellence in Execution programme is the 'Home Credit Blueprint', which identifies the key processes in operations and functional areas to ensure that core business principles are implemented and maintained in all markets. Consistency across all markets provides a stable platform to develop the business, achieve continuous improvement targets and effectively manage key business risks.

We continue to embed treating customers fairly principles throughout the business because it is important to have good checks in place at all stages of the customer life cycle. It also helps ensure we continue to provide customers with products which meet their needs, keep customers informed, and provide clear information and good levels of service.

> “We have well-established and effective risk management systems combined with high standards of corporate governance.”

The best people to help us grow

Our success depends on recruiting and retaining high-calibre people at all levels. We believe that our people should have opportunities for learning and development that support business goals and meet their needs. Our aim is to provide an environment in which people can improve their performance and prepare for future responsibilities with us.

We ensure a high level of training and development through six-monthly performance and development reviews for each employee, development programmes, sponsorships, study leave and job shadowing. We have a structured talent management and development programme together with established processes for leadership development and succession management. We have also launched a new mentoring scheme.

Reward and benefits

We offer attractive remuneration and benefits packages to both part-time and full-time employees. These vary by market but generally include bonus, healthcare, private medical insurance, travel and subsistence allowances, and childcare vouchers. We pay well in excess of the minimum wage in all our operating locations.

Reward is linked to an assessment of competencies that are aligned to the visions, values and customer focus of the business as well as achievement of objectives. This means employees are rewarded not only for what they achieve but how they achieve it, ensuring that we conduct our business in a responsible, respectful and straightforward way.

Engagement

Committed and engaged employees are more likely to be motivated to perform to the best of their ability. Our internal communication presents opportunities to improve our employees' understanding of what we expect of them, raise awareness of initiatives and encourage them to become more involved in Group activities. We run formal independently managed engagement surveys allowing us to canvass the views of our employees and then take appropriate action. We did not run a survey in 2009 but made significant progress with setting priorities and implementing action plans from the 2008 survey.

Health and personal safety

We give high priority to the health and personal safety of our people and those whom our business affects. Formal guidance is provided to employees and agents, and we run regular communication campaigns.

In 2009, a new agent safety initiative was introduced to ensure high standards in safety. We have commissioned an external party to look at trends, carry out an independent risk assessment and review our approach to managing and responding to personal safety issues.

> “We believe that our people should have opportunities for learning and development that support business goals and meet their needs.”

Our business model

We have a long-established, cash generative business model which is highly valued by our customers. It has proven to be resilient, flexible and profitable.

We provide small sum, short-term unsecured cash loans, typically £200 to £500 depending on the market – repayable over 6 or 12 month terms. On average, we lent £348 to each of our customers during 2009.

We focus our business on emerging markets where demand for credit is growing and markets are relatively under-served. We have a strong position in each of our markets.

The model is different to other financial products because of the high level of personal service provided by dedicated agents. Credit vetting of customers, rapid delivery of the cash loan and the collection of weekly repayments are performed by an agent in the convenience of the customer's home, supported by robust credit management systems. The agent is responsible for servicing the customer's needs throughout their relationship with us.

New customers are offered smaller loans repayable over shorter-terms than established customers. This enables repayment behaviour to be monitored closely. Only when a customer has proven their willingness and ability to repay a small loan will larger loans over a longer-term be offered. This 'low and grow' strategy is designed to minimise initial credit risk levels and therefore supports responsible lending, and maximises the lifetime value of each customer.

This business model is applied consistently in all our markets, with some modification to accommodate local conditions. Our home credit product essentially has two components: a small sum, unsecured cash loan and a home collection agent-based service. The home collection agent-based service provides a number of benefits to customers:

- the receipt of the loan in cash, usually within 48 hours;
- the convenience of servicing the loan in the comfort of the customer's home;
- direct and indirect costs of repaying a loan through the banking network are avoided; and
- most significantly, where the agent service is provided, the customer is generally not charged any default interest or fees as a result of late payments. They can therefore 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 the occasional payment without penalty.

“Where the agent service is provided, the customer is generally not charged any default interest or fees as a result of late payments. They can therefore 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 the occasional payment without penalty.”

Pricing

Our charging structure is clear, transparent and open, to help customers stay in control of their finances.

Historically our home credit product has been structured to give a single, fixed charge for the loan including all interest, fees and service costs. More recently a new structure, known as the 'flexible' product, has been introduced in some of our markets. The flexible product structure gives customers greater visibility of the cost of their loan – interest charges, administrative and preparatory fees, insurance costs (if applicable) and home service costs are all clearly set out. The flexible product also gives customers the option to take a loan without the home collection service and, instead, repay the loan by money transfer to a bank account. The vast majority of customers who have been offered the flexible product have chosen to take the agent collection service. We are in the process of adopting the flexible product in all our markets.

We believe that using the annual percentage rate ('APR') to compare the cost of home credit with other forms of credit can be misleading and is not particularly helpful. For small, short-term loans of the type favoured by our customers, the formula for calculating APRs can considerably distort the apparent costs of credit, particularly where short (weekly) payment periods are involved, and this can result in a relatively high APR.

Firstly, because fixed costs of loan administration are essentially the same for a small (say £100) loan as for a large (say £5,000) loan, those costs are much more significant in price terms for a small sum loan. Secondly, the APR measure is disproportionately sensitive to changes in the length of the loan term when that term is comparatively short (i.e. measured in weeks or months rather than years). Consequently, many credit providers will not provide small sums of credit and only quote APRs on loans of £1,000 or more. We consider that the introduction of the Consumer Credit Directive ('CCD') across EU member states in 2010, which should standardise the calculation of APR across markets, will help to improve the comparability of financial products.

We believe that home credit offers good value compared with other credit products when the home service provided by the agent and the speed at which a loan is typically delivered are taken into account.

> “Our charging structure is clear, transparent and open, to help customers to stay in control of their finances.”

Home credit and the customer

Home credit provides a convenient way for people to borrow money quickly in a manageable and transparent way.

Our customers use home credit loans to help manage their weekly household budget, replace or upgrade domestic appliances, meet school or medical expenses and make special purchases such as Christmas presents and holidays.

Customers are generally between 35 and 65 years old and are employed or self-employed with a regular, secure but slightly below average income. Our credit policies prohibit lending to customers whose only source of income is unemployment benefit.

Customers base their borrowing decisions primarily on the size of loan they require and how much they can afford to repay on a weekly basis. Typically, a customer is looking to borrow a small sum of money to meet an immediate, specific purpose and does not want to borrow more than they need. With busy home and work lives, customers like the fact that we can usually provide a cash loan within 48 hours from initial contact. This can be much quicker than mainstream lenders.

Customers value the convenience of being able to arrange loans and make repayments in their own home, at a time that suits them. For those customers who choose our home service option, the agent calls at the same time every week which saves them having to travel to a bank to make payments.

> “Typically, a customer is looking to borrow a small sum of money to meet an immediate, specific purpose and does not want to borrow more than they need.”

Constructive credit

Our business model allows us to be financially inclusive. Research shows many of our customers manage on modest incomes and have no bank account. Our business model is also ideal to serve customers in rural areas where transport is poor and expensive.

Many consumers do not have access to financial services because they have limited or no credit history. We believe people should not be excluded from credit for this reason.

With home credit, we're helping to include our customers in the financial mainstream. They may be taking a loan from a financial organisation for the first time. Those who have had access to credit previously may have used store credit to purchase household items or borrowed money from friends and family. With our model we are able to serve customers of modest means in a way that provides them with access to credit in a responsible way.

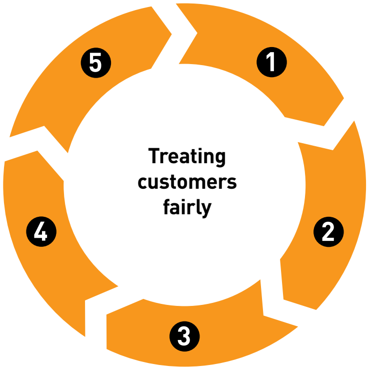
Whilst most customers use loans to manage their weekly budget, we know some of our customers are self-employed, particularly in Mexico, and are using our credit constructively to help run a small business or support their family's education.

Responsible lending

Treating customers fairly and responsible lending are important issues for any financial services company. As an important provider of credit in emerging markets, we accept our responsibility to set an example to others in the way we operate.

Delivering robust transparency on customer performance is important to business decision making and external confidence. This year we have voluntarily sought external assurance on selected KPIs for customers and agents. Management's basis of reporting can be found at www.ipfin.co.uk/cr/basisofreporting. The independent assurance report is on page 80.

Responsibility through the customer life cycle



1. **Product design**
   Providing the right products for the right customers
2. **Seeking new business**
   Advertising and marketing
3. **Managing new business**
   Customer creditworthiness checks and suitability tests
4. **Issuing the loan**
   Providing clear pre-contractual information
5. **Collections and the role of the agent**
   Collecting repayments and monitoring changes in a customer's financial and personal circumstances

1. Our approach to product design

Providing the right product to the right customer is a key element of our customer principles.

Visiting customers in their homes every week means we are aware of their individual needs and circumstances. We undertake customer insight programmes and use geodemographic tools to help us understand our customers at a local level.

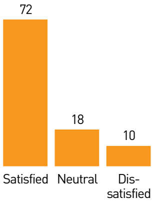
We carry out external customer surveys every 12 to 18 months to research how our service is used and perceived. This helps us ensure we are delivering the right product to the right customers and meeting expected levels of service.

Understanding our customers' needs and knowing what motivates them is essential if we are to run our business profitably, treat customers fairly and further improve customer retention.

According to our latest customer research undertaken in 2009, overall customer satisfaction levels with the service across the Group are 72%▲ (up from 68% in 2008). This demonstrates that despite economic conditions we have maintained our focus on providing good levels of service.

> “Providing the right product to the right customer is a key element of our customer principles.”

Overall customer satisfaction (%)▲



2. Our approach to seeking new business

Our customers continue to use us because home credit meets their needs and they value the high level of customer service they receive through their agent. At the end of 2009 we had 2.06▲ million customers (up from 2.03 million customers in 2008) showing continued acceptance for our product.

Existing customers with proven repayment behaviour are invited to take out new loans at defined stages in the lifecycle of the loan. Approximately 85% of new loans come from retaining existing customers. Customer retention in 2009 was 73%▲ (72% in 2008) which indicates a continuing level of customer satisfaction.

Through referrals from our call centres, local marketing and word of mouth recommendations, agents are able to expand their customer network. National TV and local press, radio and internet advertising support agents in creating awareness of and interest in home credit.

Each of our businesses adheres to the guidelines and laws for marketing, as defined by European standards such as the Federation of European Direct and Interactive Marketing for direct mail and the Electronic Commerce Directive and Regulations for electronic communications.

3. Our approach to managing new business

Once a customer shows interest in one of our loans, a series of checks and tests are carried out to assess their suitability.

Credit management systems

Agents are supported by a suite of credit management systems; application scoring for new customers and behavioural scoring for repeat customers.

Generally, credit bureau data in emerging markets either does not exist or is limited. Our bespoke in-house credit risk management systems, together with the local knowledge of the agents, give us a robust platform for deciding whether and how much to lend.

Customer retention

73%▲

Customer numbers

2.06m▲

New customers

The initial contact from a potential new customer is typically via one of our call centres or through an agent who will often live in the same community as the customer. The call centre performs initial credit vetting and potential leads are passed to an agent. Approximately 30% of potential customers are turned down at this stage.

The agent visits the potential customer in their home and helps them to complete an income and expenditure assessment which evaluates the ability of the customer to repay the loan. Customers are declined a loan by the agent if they fail this budget assessment. These details are entered into our application scoring system, usually via text messaging, which generates a recommendation of the amount and term of a loan that might be offered. Alternatively it will advise the agent that no loan can be offered. The majority of the time the agent will be more cautious than the sales message generated by our system.

Existing customers

Each agent's knowledge and judgement is central to the ongoing behavioural credit assessment and understanding of what their customers can afford to borrow.

For all repeat loans the agent verifies basic income and expenditure information to re-establish the ability of the customer to repay a new loan. Agents are supported in this process by a behavioural scoring system. This system uses the same demographic information as the application scoring system, overlaid with the detailed payment performance on a customer-by-customer basis, which is updated weekly.

Credit exceptions

We have a series of credit rules which support responsible lending. For new and existing customers we monitor the number of times that agents do not comply with Group or local credit rules. These are known as credit exceptions. Identified cases where the local credit rules vary against the Group rules are discussed by the Group credit committee. Exceptions are not reported as long as agents operate in line with the local credit rules.

Credit exceptions, for new and repeat loans combined, as a proportion of total agreements in 2009 was 3.7%▲ (down from 17.1% in 2008). The reduction indicates that new policy controls have been effective.

> “Agents are supported by a suite of credit management systems; application scoring for new customers and behavioural scoring for repeat customers.”

Credit exceptions

3.7%▲

4. Issuing the loan

Before a loan is issued 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 simple to understand, and the language used is clear and comprehensible. This is subject to ongoing review as part of our treating customers fairly initiative, including the use of customer focus groups to assess levels of financial literacy and seek input into improving our documentation. We ensure our agents are able to provide clear and correct information through a comprehensive induction and ongoing guidance and support from their development managers.

> “We strive to avoid misinterpretation of information by ensuring our loan documentation is transparent and simple to understand.”

Our customer information sheets and agreements set out the necessary information in plain, appropriate language and we issue fact sheets to clarify further key points. Welcome letters to customers outline all responsibilities and, in some cases, we make a follow-up phone call.

Following loan issue, customers have a cooling-off period of between 7 and 14 days, depending on the market, which acts as a time for reflection. This is especially important given the speed and efficiency of loan issue.

According to our customer research in 2009, 87%▲ of customers are satisfied that our loan agreements are easy to understand (86% in 2008).

Customers satisfied loan agreements are easy to understand

87%▲

We provide agents with materials and guidance so that they can answer customer queries in a straightforward, uncomplicated manner. Based on the 2009 customer survey, 81%▲ of customers are satisfied with the agent visiting their home (up from 78% in 2008). Again, this indicates the impact of continued investment in improving communication and service levels.

Customers satisfied with agents visiting their home

81%▲

5. Collections and the role of the agent

Agents are central to the success of our home credit business model. As the main contact point for customers, they represent the public face of our business, building long-lasting customer relationships through delivering a high-quality service. They are also critical in the lending and repayment processes to avoid over-lending to customers and keeping impairment costs at an acceptable level.

Visiting customers every week gives agents an insight into household dynamics and a good understanding of the customer's personal situation, enabling them to respond to changing circumstances which may lead to missed or reduced payments. Agents are also well placed to identify whether there may be a larger, local impact resulting from economic problems in the community, such as redundancies from a local factory. This allows us to quickly adapt our lending decisions at a branch level based on the latest local information.

According to our latest customer research in 2009, 84%▲ of customers are satisfied with the professionalism and trustworthiness of their agent.

Retaining agents is a key measure for our business in ensuring the conditions are right for maintaining optimum levels of business performance and customer service. As at the end of December 2009, there were 26,200▲ agents (28,900 in 2008) working across the six countries in which we operate. 12 month agent retention is 43%▲ (44% in 2008). Agent performance across all markets has been assessed during 2009 and in 2010 we intend to look more closely at our agent retention data.

Most agents are self-employed, although in Hungary local regulation requires that we employ agents.

Many agents were previously customers so they know our products well and understand our customers' needs. Over 80% of agents are women.

Agent remuneration is predominantly based on the value of their collections, which helps support responsible lending.

Our approach to responsible debt recovery and debt cancellation
Responsible lending not only refers to applying due diligence in the selection of customers and the offer of suitable products but also encompasses the appropriate recovery of outstanding debt.

We explore all possible solutions (e.g. lower instalments) before cancelling a credit relationship. The weekly agent visit and the fact that customers can reschedule repayments if they face temporary difficulties, help minimise arrears. Where customers do fall behind with repayments, arrears are managed through established systems which include a combination of visits, telephone calls and letters. In-house activity to recoup the balance is our primary means of recovery. Customers that persistently fail to pay are referred to the central debt recovery department. Once the decision is made to transfer to debt recovery, there are generally no additional costs incurred by the customer, unless the case goes to court.

We use the services of external collection agencies and thoroughly review their business ethics and practices to ensure that we are comfortable with their approach.

▲These KPIs have been externally assured by PricewaterhouseCoopers LLP 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 80.

> “Agent remuneration is predominantly based on the value of their collections, which helps support responsible lending.”

Customers satisfied with professionalism and trustworthiness of their agent

84%▲

Agent numbers

26,200▲

Agent retention

43%▲

Business and society

To ensure the long-term sustainable success of the business it is important to interact with wider stakeholder groups and manage the social issues that are important to them.

Some of the key issues include the role of micro loans in stimulating economic activity, levels of consumer indebtedness, the way in which our customers with payment difficulties are dealt with and general misunderstanding of the home credit sector. These issues can help or hinder the business and so it is important to identify and manage them, and proactively communicate the positive attributes of our business.

We will increasingly ask what sustainability means for our business and for the countries and communities in which we operate, what can we do and how we can work better with others in business and the wider society. Looking at these issues, such as the economic opportunities our loans create, the social benefit in people's quality of life and the wealth we create through taxation, will help highlight some of the positive aspects of our business.

Stakeholder activity

To better manage emerging risks and identify opportunities, we regularly engage with a range of key stakeholders. We do this through annual workshops with our main stakeholder groups, industry associations, business and wider corporate responsibility-related memberships and one-to-one meetings.

Public policy

We are proactively involved at an EU level in policy debates with Commission officials, Members of the European Parliament and think tanks on issues such as responsible lending, creditworthiness, financial inclusion, financial education, illegal lending and credit intermediaries.

We are involved in discussions on a national level with policy makers in all our markets. We provided a detailed response to the European Commission's consultation on responsible lending in 2009. We also provided a case study for the Study on Credit Intermediaries in the Internal Market commissioned by DG Internal Market and Services which was published in January 2009. Furthermore, we are involved in the financial inclusion debate, through attendance at workshops and meetings with Ministers of the European Parliament, which is high on the agenda in Europe. A key feature of our business model is a significantly higher level of financial inclusion than other mainstream lenders.

> “To better manage emerging risks and identify opportunities, we regularly engage with a range of key stakeholders.”

Investing in social issues

We run community investment programmes in all our markets supporting issues that are important to our customers, employees and agents. In 2009, our overall Group contribution to charities and community organisations was £750,000 (£460,000 excluding management costs) representing 1.2% of profit before tax (up from 0.9% of profit before tax in 2008). A further £200,000 was leveraged through, for example, payroll giving and fundraising.

Social inclusion / charities

We support social inclusion and financial literacy programmes, including grant giving aimed at disadvantaged groups, to enable local regeneration and skills development. We also carry out a significant amount of volunteering and in 2009, almost 1,700 employees volunteered over 7,400 working hours in support of local community causes. This helps maintain high employee motivation, generates positive PR and adds value to the communities where our customers, agents and employees live and work.

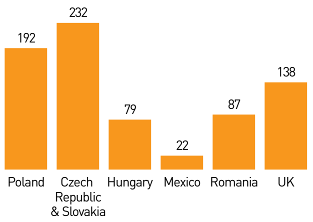
Financial education

One key area of community activity involves promoting financial education. Generally financial awareness in our markets remains low. We believe it is important that consumers are able to make informed financial choices and budget effectively – this supports responsible borrowing.

All our markets run financial educational programmes involving communication and media campaigns, the development and roll-out of workshops with partners and take part in collaborative working groups.

- In Romania, the Family Budget Programme aims to promote financial education and supports non-governmental organisations in implementing dedicated programmes. The programme is sponsored by the National Consumers' Protection Authority, in partnership with the Consumers' Protection Association and Junior Achievement Romania (a not for profit educational organisation).
- Our Polish business, through the 'Academy of Family Finance', has run 10 workshops and educational contests with regional radio stations and secured educational articles in the national media.
- In the Czech Republic, we continue to support 'Read Before You Sign' – a long running media campaign which we have supported since 2005. Directed at the general public, it aims to prevent problems associated with consumers being unaware of financial obligations when signing a contract. The wide range of partners involved in the project includes the Czech Consumers Association and the British Chamber of Commerce. In addition, we have initiated a new project 'Financial Compass' which provides skills training and workshops on financial education topics to financial counsellors in local municipalities.

Community investment by market (£'000)



Investment in community initiatives £750,000

1.2%

of profit before tax

- We have created financial literacy websites for the general public in Hungary, Romania and Poland which provide public access to educational materials and tools on basic level financial knowledge, practical tips, resources and a budget calculator.
- We run financial education workshops for people and organisations in the UK, Slovakia, Hungary and Mexico. In Mexico, over 1,500 people have benefited from workshops run with Impulsa, Amistad-British Mexican Foundation and the University of Puebla. In Slovakia, 27 tutors have been trained and, in turn, have delivered workshops to nearly 2,000 participants through the School of Family Finance. In Hungary, we try to raise the capacity of other organisations and social workers to deliver financial education training. In 2009, 11 local financial literacy projects were launched in institutions operated by local government.
- Some of our businesses are starting to engage customers directly by including information within customer communications and magazines.

Environment

As a consumer financial services business, our direct environmental impact is lower than that of some other organisations but we are committed to running the business in a way that minimises impacts where we can.

Our Group environmental policy and management system ('EMS') is based on the international environmental standard ISO 14001 and audits are carried out against this standard annually. All our businesses run environmental working groups, set annual targets and, in 2009, all met the ISO 14001 standard for the first time.

We recognise climate change is a significant global issue. As a result of climate change impacts 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 events 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.

Although we have a relatively low impact on climate change (through business travel and electricity use), we play our part in managing our emissions and encouraging better practices in others. Our businesses are engaged in a number of activities including energy efficiency awareness campaigns, promoting green travel, reducing the impact of the company car fleet, investing in teleconferencing and engaging our landlords to implement energy saving measures in the buildings we operate in.

In 2009, our carbon footprint was 2.54 tonnes / CO_2 per employee which represents a 5.5% reduction compared to 2008 levels. More details of our environmental 2009 performance are available on our website (www.ipfin.co.uk/cr).

John Harnett
Chief Executive Officer

Carbon footprint per employee

2.54 tonnes / CO_2

CO_2 emissions reduction

5.5%

Financial review

Strong financial fundamentals

During 2009, we saw the global recession impact the markets in which we operate, but our financial position remained strong. The Group continued to generate good profits, reporting a profit before tax from continuing operations of £61.7 million (2008: £76.3 million).

At the same time, we have a well funded balance sheet and strong cover ratios:

- we are well capitalised with shareholders' equity representing 49.4% of receivables, the equivalent of a bank's Tier 1 ratio;
- borrowings have been reduced by £101.7 million;
- gearing* has reduced from 1.6 times to 1.2 times;
- we have good cover against all of our other core banking covenants; and
- we have sufficient funding for all of our existing markets through to October 2011.

Covenant		2009	2008	Headroom
Gearing*	Max 3.75	**1.2**	1.6	£186.5m (net worth)
Interest cover	Min 2 times	**3.2**	3.5	£35.8m (pre-tax profit)
Net worth*	Min £125m	**275.2**	273.0	£150.2m (net worth)
Receivables : borrowings	Min 1.1:1	**1.6**	1.3	£145.2m (borrowings)

*Adjusted for derivatives and pension liabilities.

We believe that there are five main reasons for the strength of the Group's financial position:

1. A flexible business model

We provide short-term credit – generally less than 52 weeks duration in all markets.

Average duration of credit issued (weeks)	2009	2008
Poland	**49**	50
Czech-Slovakia	**54**	50
Hungary	**50**	49
Mexico	**34**	31
Romania	**46**	44

The short-term nature of the loan book has some key benefits:

- we can adjust the risk profile of credit issued quickly and control impairment levels; and
- loans are repaid quickly and, with good profit margins, this means that the business model is cash generative.

David Broadbent
Finance Director

Equity to receivables ratio

49.4%

(2008: 45.1%)

Gearing

1.2x*

(2008: 1.6x*)

Headroom on bank facilities

£265.7m

(2008: £229.5m)

2. A diversified portfolio

The impact of the global recession has been different across international markets and we believe that there are benefits to having a diversified portfolio. Although the recession has clearly hit Hungary the hardest, other markets have performed better, especially Mexico, which reported its first annual profit.

3. A cash generative business

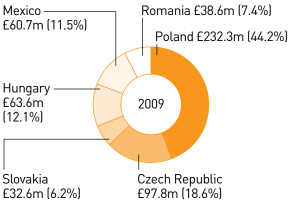
Total Group borrowings have reduced by £101.7 million in 2009 to £332.6 million. This reflects the careful management of credit issued and costs but also demonstrates the cash generative nature of the business model.

Operating cash flow (£m)	**2009**	2008
Established businesses	**155.7**	105.5
Mexico	**(15.8)**	(15.5)
Romania	**(17.8)**	(19.6)
Developing businesses	**(33.6)**	(35.1)
Total operating cash flows – continuing operations	**122.1**	70.4

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 rapid growth in our developing businesses.

As the developing businesses of Mexico and Romania mature, profits will grow, they will become self-funding and will begin to generate surplus cash to support growth in future new markets. We do not plan to enter any new markets in 2010 and, given that new market pilots typically run for a period of 12 to 18 months, these will not have a significant impact on our operating cash flows before 2013 at the earliest.

Net receivables split by market showing percentage weighting



4. The business model generates strong returns

We have a profitable business model and generated a pre-tax profit of £61.7 million during 2009, which represented earnings per share ('EPS') of 17.78 pence, a profit margin of 8.3% and a return on capital employed ('ROCE') of 17.6%. However, this represents a combination of strong returns in the established markets offset by start-up losses in the developing markets and losses in Hungary.

	EPS (p)	Margin (%)	ROCE* (%)
Central Europe excluding Hungary	24.12	17.4	34.1
Hungary	(2.08)	(6.3)	(13.5)
Central Europe	22.04	12.9	25.6
Central costs	(3.66)	–	–
Developing markets	(0.60)	(1.4)	(4.1)
Group	**17.78**	**8.3**	**17.6**

*For this purpose equity has been calculated as 49% of receivables.

The profitable nature of the business model is demonstrated by the returns of the Central European markets, excluding Hungary. These markets generated earnings per share of 24.12 pence on a profit margin of 17.4% and a return on capital employed of 34.1%.

5. We lend short and borrow long

Although the loan book has an initial duration of around a year or less, our aim is to fund it with borrowings with a significantly longer duration.

	Receivables		Facilities	
	£m	%	£m	%
Due within one year	514.9	98.0	188.4	31.5
Due in over one year	10.7	2.0	409.9	68.5
Total	**525.6**	**100.0**	**598.3**	**100.0**

At 31 December 2009, we had facilities of £598.3 million, provided through a combination of syndicate and bilateral bank facilities. Of these, £160.0 million expire on 16 March 2010. Of the remainder, £386.0 million run to October 2011.

Our aim in 2010 is to extend the maturity profile of our debt facilities with a view to funding the business through to 2013, and to diversify the Group's sources of debt funding.

Return on capital employed

17.6%

(2008: 21.9%)

Capital generated

£47.6m*

(2008: £32.2m)

*Equity being 49% of receivables.

Cash generated

£122.1m

(2008: £70.4m)

There is no doubt that trading conditions have proved to be more difficult in 2009 as a result of the impact of the global economic downturn. During this period, we generated a pre-tax profit of £61.7 million, reduced borrowings by £101.7 million and saw our equity to receivables ratio increase to 49.4%. Overall, we believe that we have proven that the business is resilient.

2009 results

We reported a pre-tax profit from continuing operations in 2009 of £61.7 million compared with a profit of £76.3 million in 2008. We were particularly pleased that our Mexican business reported its first profit and the Romanian business reported much reduced losses. The Central European markets of Poland, the Czech Republic and Slovakia returned to profit growth for the second half of the year. This was tempered by the performance of the Hungarian business which reported a loss of £7.2 million for the year as a whole compared with a 2008 profit of £16.1 million, although we were encouraged by the fact that it returned to profit in the second half of the year (before one-off restructuring costs).

Revenue was broadly flat year on year, but we experienced an increase in impairment charges that was partly offset by reductions in our cost base.

Margin analysis	**2009**	2008
Group revenue (£m)	**550.2**	557.1
	As a % of revenue	
Impairment	**29.9%**	22.8%
Agents' commission	**11.6%**	12.9%
Operating expenses	**41.7%**	45.4%
Finance costs	**5.6%**	5.2%
Profit margin	**11.2%**	13.7%

The combination of early management action to tighten credit controls in the second half of 2008, and the short-term nature of our loan book meant that the increase in impairment costs was controlled, with impairment remaining below 30%, although increasing by 7.1% to 29.9%. This increase reflected the impact of the recession primarily on the first quarter, when customer repayment rates fell sharply. Because we employ a prudent provisioning methodology, with impairment recognised as soon as a customer misses any part of a contractual repayment, this drop in collections performance resulted in an immediate increase in impairment charges.

Agent commission costs are predominantly based on amounts collected and are largely variable in nature.

As part of our preparations for the global downturn in the second half of 2008 we made considerable efforts to reduce costs. These included the renegotiation of significant third party contracts, a reduction in our marketing spend alongside the credit tightening, and a measured reduction in field costs. These efforts were successful in improving efficiency ratios significantly, thereby offsetting the impact of increased impairment, with operating expenses reduced to 41.7% of revenue.

Importantly, at a time when lending margins have increased substantially as a result of the recession, finance costs represent only 5.6% of revenue.

> “We employ a prudent provisioning methodology, with impairment recognised as soon as a customer misses any part of a contractual repayment.”

Taxation

The taxation charge for the year was £16.1 million (2008: £21.2 million). This excludes a £2.1 million tax charge relating to the closure of the Russian operation, which is reported as a loss on discontinued operations. The effective tax rate on continuing operations has reduced to 26%, (2008: 28%) and we expect the Group's effective rate of taxation to remain broadly at this level in 2010.

Dividend

Subject to shareholder approval, a final dividend of 3.40 pence per share will be paid on 21 May 2010 to shareholders on the register at the close of business on 16 April 2010. The shares will be marked ex-dividend on 14 April 2010. This will bring the full year dividend to 5.70 pence per share (2008: 5.70 pence per share).

Balance sheet

Summary balance sheet

The Group balance sheet is set out in the financial statements and is summarised below:

	2009 **£m**	2008 £m	Change %	Change at CER* %
Fixed assets	**50.9**	69.9	(27.2)	(23.6)
Receivables	**525.6**	574.4	(8.5)	(1.5)
Cash	**31.2**	62.2	(49.8)	(46.6)
Borrowings	**(332.6)**	(434.3)	23.4	18.3
Other net liabilities	**(15.3)**	(13.4)	(14.2)	(41.7)
Equity	**259.8**	258.8	0.4	7.9
Equity to receivables	**49.4%**	45.1%		
Gearing	**1.3x**	1.7x		
Headroom on facilities	**£265.7m**	£229.5m		

*Constant exchange rate.

The Group balance sheet remains well capitalised and at 31 December 2009 we had net assets of £259.8 million (2008: £258.8 million).

Fixed assets

The fixed assets employed by the Group predominantly represent motor vehicles and IT equipment and a detailed fixed asset note can be found within the financial statements. The level of investment in fixed assets has reduced substantially during 2009 to £9.8 million (2008: £24.7 million) and this has led to the overall reduction noted above. During 2010, we plan to lease the majority of our motor vehicles rather than purchase outright.

> “The Group balance sheet remains well capitalised and at 31 December 2009 we had net assets of £259.8 million.”

Dividend per share

5.70p

(2008: 5.70p)

Receivables and provisioning

Group receivables at the end of 2009 were £525.6 million (2008: £574.4 million). The average period of receivables outstanding was 5.1 months (2008: 5.3 months) with 98.0% of year end receivables due within one year (2008: 96.1%). This reduction in the average period of receivables outstanding reflects the impact of the credit tightening strategies implemented in the second half of 2008 in anticipation of the global recession. Poland is the only market where we issue loans repayable over two years and this was also significantly constrained as part of the credit tightening. This represented 2.7% of Group credit issued (2008: 7.9%) and 7.2% of year end Group receivables (2008: 13.4%).

	2009	2008
Total contractual customer receivables (£m)	**937.9**	1,051.5
Net receivables (£m)	**525.6**	574.4
Proportion of receivables unimpaired (%)	**31.0**	28.4

The 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 £101.7 million to £332.6 million, reflecting careful management of credit issued and costs, coupled with the cash generative nature of the business model. This compares with total facilities of £598.3 million, giving headroom on facilities of £265.7 million.

The maturity profile of facilities is summarised as follows:

	Less than one year £m	One to two years £m	**Total £m**
Short-term facilities	8.1	–	**8.1**
Syndicated multi-currency facilities	160.0	333.0	**493.0**
Other bilateral facilities	20.3	76.9	**97.2**
	188.4	409.9	**598.3**
Borrowings			**332.6**
Headroom			**265.7**

On 16 March 2010, our committed bank facilities will reduce by £160.0 million to £430.0 million with £386.0 million of this committed to October 2011. This is sufficient to support our business through to that date.

> “Total Group borrowings have reduced by £101.7 million to £332.6 million, reflecting careful management of credit issued and costs, coupled with the cash generative nature of the business model.”

Hedging

Our policy is to hedge the translation of reported profits only within the reporting period. In January 2010, we hedged the rates used to translate the majority of forecast profits for Central Europe, Mexico and Romania for 2010. These rates overall are similar to those used to translate the results for the 2009 financial year.

	Hedged 2010	Average 2009	Closing 2009	Average 2008	Closing 2008
Poland	4.7	4.6	4.6	4.5	4.3
Czech Republic	29.5	29.5	29.7	32.9	27.9
Slovakia	1.1	1.1	1.1	1.4	1.0
Hungary	313.6	323.1	303.6	329.5	274.8
Mexico	21.2	21.1	21.1	21.3	20.1
Romania	5.0	4.6	4.8	4.7	4.2

Pensions

During the period we operated or contributed to a number of different pension arrangements across the Group which included defined benefit, defined contribution, stakeholder and state sponsored arrangements.

From 1 March 2010, benefits will cease to accrue under the defined benefit scheme. At 31 December 2009 the scheme had assets of £30.9 million and liabilities of £38.4 million. A detailed pension note is included in the financial statements.

Going concern

The directors have reviewed the budget for the year to 31 December 2010 and the forecasts for the four years to 31 December 2014 which include projected profits, cash flows, borrowings and headroom against facilities. The committed bank facilities of the Group are sufficient to fund the planned growth of our existing operations until October 2011. Taking these factors into account the directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason they have adopted the going concern basis in preparing these financial statements.

David Broadbent
Finance Director

> “The committed bank facilities of the Group are sufficient to fund the planned growth of our existing operations until October 2011.”

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 2009 in order to present the underlying performance variance.

We had predicted the global downturn would negatively impact the markets in which we operate and our performance in 2009, although the exact timing and scale of impact was uncertain. We commenced our preparations in the second half of 2008, well before any visible impact of the recession in our markets. Credit controls were substantially tightened, management were focused on collections rather than growth and costs and borrowings were reduced.

The outturn for the year clearly reflects both the recessionary external environment and the focus of management action: Customer numbers, receivables and revenue remained relatively flat but profit before tax from continuing operations reduced by 19% to £61.7 million (2008: £76.3 million). Impairment costs increased by £37.1 million (31%) but were largely offset by a reduction in agents' commission costs of £8.0 million (9%) and other costs of £23.2 million (5%). Finance costs increased by 5% reflecting the increase in funding costs since October 2008.

The result for the year benefited by approximately £10 million as a result of our decision to change product terms and pricing in the second half. This benefit will continue into the first half of 2010 but will be offset by increased early settlement rebates on the introduction of the EU Consumer Credit Directive in 2010.

Our developing markets in Mexico and Romania progressed, as planned, with Mexico achieving a maiden profit and Romania a much reduced loss.

The Group results are set out below:

	2009 **£m**	2008 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**2,056**	2,029	27	1.3	1.3
Credit issued	**710.0**	791.0	(81.0)	(10.2)	(8.2)
Average net receivables	**481.1**	504.9	(23.8)	(4.7)	(2.0)
Revenue	**550.2**	557.1	(6.9)	(1.2)	1.2
Impairment	**(164.3)**	(127.2)	(37.1)	(29.2)	(30.6)
	385.9	429.9	(44.0)	(10.2)	(7.6)
Finance costs	**(30.9)**	(29.1)	(1.8)	(6.2)	(5.1)
Agents' commission	**(64.0)**	(72.0)	8.0	11.1	8.8
Other costs	**(229.3)**	(252.5)	23.2	9.2	4.7
Profit before taxation – continuing operations	**61.7**	76.3	(14.6)	(19.1)	

Performance in the first quarter was heavily affected by reduced collections performance, primarily in Central Europe, leading to a rise in impairment costs and a consequent reduction in profitability. In the second, third and fourth quarters profitability was much improved as collections performance and credit quality improved, leading to more normal levels of impairment and growth in credit issued and revenue. By Quarter 4, Group profit was ahead of the previous year by 9%.

Profit before tax

£61.7m*

(2008: £76.3m*)

*From continuing operations

Earnings per share

17.78p*

(2008: 21.48p*)

*From continuing operations

Customer numbers

2.06m

(2008: 2.03m)

£m	Q1	Q2	Q3	Q4	Full year
2009	(8.5)	17.6	18.0	34.6	61.7
2008	6.3	20.0	18.2	31.8	76.3
Change (£m)	(14.8)	(2.4)	(0.2)	2.8	(14.6)
% Change	(234.9)	(12.0)	(1.1)	8.8	(19.1)

Profit before taxation

The segmental split of profit before tax by market is as follows:

	2009 **£m**	2008 £m	Change £m	Change %
Central Europe	**76.5**	106.0	(29.5)	(27.8)
Central Europe excluding Hungary	***83.7***	*89.9*	*(6.2)*	*(6.9)*
Hungary	***(7.2)***	*16.1*	*(23.3)*	*(144.7)*
UK – central costs	**(12.7)**	(13.2)	0.5	3.8
Established markets	**63.8**	92.8	(29.0)	(31.3)
Mexico	**0.3**	(8.7)	9.0	103.4
Romania	**(2.4)**	(7.8)	5.4	69.2
Developing markets	**(2.1)**	(16.5)	14.4	87.3
Profit before taxation – continuing operations	**61.7**	76.3	(14.6)	(19.1)

Amongst the Central European markets our customers in Hungary were the most severely affected by the recession and this led to a sharp and sustained reduction in the credit quality for almost a third of our 300,000 Hungarian customer base during the first half of 2009. As a result, impairment levels rose sharply and the market became loss-making. In response, we removed agent service from about 80,000 'poor paying' customers and passed them to our centralised debt recovery team. In June and July we substantially reduced our headcount and cost base to a level commensurate with the reduced customer base. These actions, alongside continued tight credit controls, returned the Hungarian business to profit for the second half of the year and leave it well placed to rebuild its customer numbers and profitability over the medium-term.

The impact of the recession in the rest of our established Central European markets was much less pronounced. Poland, the Czech Republic and Slovakia reported a pre-tax profit of £83.7 million compared with £89.9 million in 2008. As expected, the global recession had a sudden and sharp impact on these markets in the first quarter of the year leading to lower credit issued, reduced revenue and increased impairment charges. As the first half progressed conditions stabilised and the benefits of the actions we had taken at the end of 2008 became increasingly influential with performance improving substantially from Quarter 2, 2009. In the second half of the year these markets returned to growth and profits recovered well, with fourth quarter profits up by 8% year on year.

> “Performance in the first quarter was heavily affected by reduced collections performance primarily in Central Europe leading to a rise in impairment costs and a consequent reduction in profitability. By Quarter 4, Group profit was ahead of the previous year by 9%.”

Operational review continued

Throughout the year, the developing markets of Mexico and Romania made good progress despite the economic downturn. In particular, we were pleased that we delivered a maiden profit in Mexico, with a pre-tax profit of £0.3 million compared to a loss before tax of £8.7 million in 2008. This has been delivered through a combination of strong growth whilst maintaining credit quality at acceptable levels. During 2009, customer numbers grew by 42% from 370,000 to 524,000 whilst impairment remained stable in both the Puebla and Guadalajara regions with impairment as a percentage of revenue at 37% (2008: 36%).

We also made good progress in Romania. Although we opened no new branches in 2009, the business grew strongly with customer numbers increasing from 85,000 to 164,000 and start-up losses reduced significantly to £2.4 million (2008: £7.8 million). As previously indicated, we expect Romania to report a profit for 2010.

Whilst 2009 was a challenging year, the rapid recovery from the recession and the improved performance during the second half demonstrate the resilience of our business model, the effectiveness of our credit risk management systems, and our ability to reduce costs and generate cash. As we enter 2010, the outlook for the global economy has improved and conditions in our markets are generally better than at the start of 2009, but uncertainty remains.

The unusually severe weather across many parts of Europe in the first weeks of the year has had a negative impact on our collections performance and impairment, particularly in Poland. We expect that this will unwind later in the year as collections performance improves, but it will impact our first quarter results. Nevertheless, we aim to carry the momentum achieved in the second half of 2009 into 2010 and deliver improved results, with Mexico building on its maiden profit and Romania on track to achieve a full year profit for the first time.

Discontinued operations

The closure of the pilot operation in Russia was completed in April 2009. In Russia, the liquidation of our businesses is progressing to plan. The loss for the year in respect of these discontinued operations is £12.8 million, including the tax charge noted in the financial review.

We closed our pilot test in Russia because of slower than anticipated growth in customer numbers. We believe this largely reflected consumer caution during a period of recession rather than a lack of underlying demand for our products and service. However, we reached the conclusion that the cost of continuing the pilot for a potentially long period until market conditions returned to normal was too great and that in the near-term our resources would be better used in the development of our existing markets.

New markets

Nonetheless, 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. We do not plan to commence pilot operations in any new countries this year, but during 2010 we will progress our research on potential new markets with a view to possibly commencing a new market in 2011.

> “We were pleased that we delivered a maiden profit in Mexico, with a pre-tax profit of £0.3 million compared to a loss before tax of £8.7 million in 2008.”

Established markets

Central Europe

Central Europe comprises our operations in Poland, Czech-Slovakia and Hungary. At the start of 2009 we experienced difficult trading conditions in all of these markets. The worsening economic conditions were compounded by factory closures as a result of the gas dispute between Russia and the Ukraine. This led to customer repayment rates across the Central European markets being well below the same period of the previous year resulting in a significant increase in impairment charges. As a result, Central Europe was loss making in Quarter 1, 2009. However, from the end of the first quarter onwards we saw a significant divergence in performance:

- In Poland and Czech-Slovakia we saw improved collections performance and impairment levels returned to normal. As a result we were able to progressively relax credit controls following the blanket tightening implemented in the fourth quarter of 2008. Both markets returned to good levels of profit in the second quarter and in the third and fourth quarter profits were up year on year. In addition, both reported a return to growth in credit issued in Quarter 4.
- Hungary was the market which experienced the most severe impact from the global recession. Although performance stabilised by May, we did not see the same improvement witnessed in the other markets and the operation continued to be loss making. To remedy this we implemented a restructuring programme focused on 'good payers': From a customer base of about 300,000 we passed to our debt recovery team approximately 80,000 'poor paying' customers. This enabled a substantial reduction of the cost base of about 20%, including a reduction in the headcount. This restructuring was completed in July 2009 at a cost of £3.0 million. Credit quality and collections performance thereafter improved and the businesses returned to profit in the second half – albeit at much reduced levels compared with 2008.

> “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.”

Overall, therefore, Central Europe reported a pre-tax profit of £76.5 million for 2009 compared with £106.0 million for 2008. This represents a reduction in profit of £29.5 million, with £23.3 million of the reduction attributable to Hungary.

Profit before taxation	**2009 £m**	2008 £m	Change £m	Change %
Central Europe excluding Hungary	**83.7**	89.9	(6.2)	(6.9)
Hungary	**(7.2)**	16.1	(23.3)	(144.7)
Central Europe	**76.5**	106.0	(29.5)	(27.8)

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

Central Europe excluding Hungary

During the year, the Central European markets excluding Hungary reported a pre-tax profit of £83.7 million, which is 7% lower than 2008. However, as noted above, the performance of these markets improved progressively during the year, and this is demonstrated by the split of quarterly profits shown in the table below:

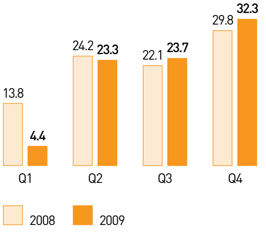
Profit before taxation	Q1 £m	Q2 £m	Q3 £m	Q4 £m	Year £m
2009	4.4	23.3	23.7	32.3	83.7
2008	13.8	24.2	22.1	29.8	89.9
Variance (£m)	(9.4)	(0.9)	1.6	2.5	(6.2)
Variance %	(68.1)	(3.7)	7.2	8.4	(6.9)

It is clear that the reduction in profit is almost entirely attributable to the first quarter performance, when the recession was most severe. The impact in the second quarter was much lower and by the second half, these markets had returned to year on year profit growth at rates of 7 – 8%.

The results for the year are set out below:

	2009 £m	2008 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**1,141**	1,253	(112)	(8.9)	(8.9)
Credit issued	**458.0**	540.0	(82.0)	(15.2)	(12.9)
Average net receivables	**334.5**	374.2	(39.7)	(10.6)	(7.4)
Revenue	**354.8**	380.1	(25.3)	(6.7)	(3.8)
Impairment	**(89.4)**	(80.2)	(9.2)	(11.5)	(12.6)
	265.4	299.9	(34.5)	(11.5)	(8.4)
Finance costs	**(19.3)**	(18.4)	(0.9)	(4.9)	(6.0)
Agents' commission	**(38.1)**	(42.8)	4.7	11.0	8.4
Other costs	**(124.3)**	(148.8)	24.5	16.5	10.1
Profit before taxation	**83.7**	89.9	(6.2)	(6.9)	

Central Europe excluding Hungary
Profit by quarter, 2008 and 2009 (£m)



Central Europe excluding Hungary Customer numbers

1,141,000

(2008: 1,253,000)

Central Europe excluding Hungary Credit issued

£458.0m

(2008: £540.0m)

Central Europe excluding Hungary Impairment as a % of revenue

25%

(2008: 21%)

Customer numbers fell by 9% during 2009, although most of this reduction was seen in the first quarter, by the end of which customer numbers had reduced to 1,159,000. The higher levels of impairment experienced in the first quarter led to higher levels of customer write-offs, coupled with a lower level of new customer recruitment due to the tight credit controls implemented in the fourth quarter of 2008.

Year on year growth in credit issued	Q1	Q2	Q3	Q4	Year
Central Europe excluding Hungary	(21.5)%	(21.5)%	(12.7)%	5.4%	(12.9)%
Poland	*(16.9)%*	*(19.9)%*	*(10.7)%*	*4.6%*	*(10.9)%*
Czech-Slovakia	*(26.1)%*	*(23.8)%*	*(15.7)%*	*6.8%*	*(15.8)%*

The reduction in customer numbers was the main reason for the 13% reduction in the volume of credit issued across the year. This was most pronounced in the first quarter when credit issued was down by 22% on the prior year. From the second quarter, collections performance and credit quality improved enabling a progressive relaxation of credit controls such that credit issued grew by 5% year on year in the fourth quarter. As a result of the reduction in customer numbers and credit issued, average receivables were down year on year by 7% and revenue reduced by 4%.

Impairment increased by 13% during the year, but remained at a satisfactory level of 25% of revenue (2008: 21%).

Costs were tightly controlled. Other costs were reduced year on year by £24.5 million (10%) through a combination of lower marketing costs, improvements in the efficiency of field operations and the re-negotiation of third party costs. As a result, other costs reduced to 35% of revenue, which compares favourably with a ratio of 39% in 2008.

During the period, finance costs increased by 6%, mainly reflecting changes in interest rates and borrowing margins, whereas agents' commission costs reduced by 8%, in line with the reduction in receivables.

Poland

Poland was the only market in which we operate where GDP grew in 2009, at a rate of 1.7%, although this still represents a significant slowing when compared with a growth rate of 5.0% in 2008. The economic outlook for Poland appears positive, with GDP forecast to grow in 2010 by 2.6%.

	2009 **£m**	2008 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**758**	856	(98.0)	(11.4)	(11.4)
Credit issued	**279.9**	344.9	(65.0)	(18.8)	(10.9)
Average net receivables	**215.7**	255.5	(39.8)	(15.6)	(7.2)
Revenue	**226.3**	249.6	(23.3)	(9.3)	(0.4)
Impairment	**(63.5)**	(48.2)	(15.3)	(31.7)	(43.3)
	162.8	201.4	(38.6)	(19.2)	(11.0)

Poland
Customer numbers

758,000

(2008: 856,000)

Poland
Average net receivables

£215.7m

(2008: £255.5m)

Poland
Impairment as a % of revenue

28%

(2008: 19%)

The impact of the economic downturn, coupled with the effects of the credit tightening implemented in October 2008, led to a fall in customer numbers to 758,000, primarily in the first quarter. For the year as a whole credit issued reduced by 11%. However, in the fourth quarter the market returned to growth and credit issued grew by 5%. As a result of the reduction in customer numbers and credit issued, average receivables fell by 7% year on year but revenue for the year was similar to that for 2008. This is partly due to the mix of receivables moving towards shorter-term products which have a higher effective interest rate, and partly due to changes to product term and price implemented in the second half.

Impairment increased by £15.3 million (43%), with the majority of this increase experienced in the first quarter, when the impairment charge grew by nearly 100% to £26.3 million (Quarter 1 2008: £13.7 million). This meant that the impairment charge in 2009 represented 28% of revenue compared with 20% in 2008.

In the opening weeks of 2010 we have experienced unusually severe weather conditions with extreme cold and substantial snowfall. This has made it more difficult for agents to reach customers and collect repayments and it also caused temporary falls in the incomes of households with outdoor employment. As a result our collections performance has reduced and impairment has risen. Whilst we expect this will negatively impact our first quarter results we expect that our collections performance will return to normal levels in the coming weeks and the negative impact will unwind over the course of the year.

We believe there remains substantial potential for profitable growth in Poland, particularly in view of the current benign competitive conditions. To better position the business for growth we have recently refreshed the Senior Management Group, appointing as Country Manager, David Parkinson, previously Country Manager for Czech Republic and Slovakia. David has worked in the International business for seven years and has over 20 years of home credit experience.

Czech Republic and Slovakia

The Czech-Slovakian business performed well during 2009 reflecting the economic recovery from the second quarter and a strong management focus on branch level performance.

	2009 £m	2008 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**383**	397	(14)	(3.5)	(3.5)
Credit issued	**178.1**	195.1	(17.0)	(8.7)	(15.8)
Average net receivables	**118.9**	118.7	0.2	0.2	(7.6)
Revenue	**128.5**	130.5	(2.0)	(1.5)	(9.3)
Impairment	**(25.9)**	(32.0)	6.1	19.1	26.2
	102.6	98.5	4.1	4.2	(3.7)

The overall shape of the year was very similar to Poland. Customer numbers fell during the first quarter, and by the year end customer numbers were 4% lower than the previous year, and the volume of credit issued fell by 16%. In the fourth quarter the market returned to growth and credit issued increased by 7%.

Czech Republic and Slovakia Customer numbers

383,000

(2008: 397,000)

Czech Republic and Slovakia Average net receivables

£118.9m

(2008: £118.7m)

Czech Republic and Slovakia Impairment as a % of revenue

20%

(2008: 25%)

The decrease in credit issued in the year resulted in a reduction in average receivables of 8% and this, in turn, caused revenue to fall by 9%.

Credit quality and collections improved significantly from the second quarter and the impairment charge was reduced year on year by 26%. This reflects a combination of the economic recovery and the benefits of the implementation of branch level credit management systems. As a result, impairment represented 20% of revenue for 2009 – an improvement from 25% in 2008.

David Parkinson has been replaced as Country Manager by Chris Wheeler. Chris has worked in the International business for nine years and also has over 20 years' experience in home credit. He has extensive experience of the Czech and Slovakian markets and his most recent positions were as Country Manager for Russia and Regional Manager of Guadalajara.

Hungary

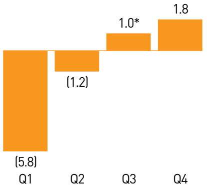
The impact of the global recession on our customers was much worse in Hungary than the other markets. During 2009 it reported a loss for the year of £7.2 million compared with a profit in 2008 of £16.1 million.

The results for Hungary for 2009 are set out below:

	2009 £m	2008 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**227**	321	(94)	(29.3)	(29.3)
Credit issued	**88.7**	150.1	(61.4)	(40.9)	(41.2)
Average net receivables	**69.4**	89.9	(20.5)	(22.8)	(23.2)
Revenue	**84.8**	113.1	(28.3)	(25.0)	(25.0)
Impairment	**(34.1)**	(25.8)	(8.3)	(32.2)	(31.7)
	50.7	87.3	(36.6)	(41.9)	(41.9)
Finance costs	**(6.5)**	(6.5)	–	–	(1.5)
Agents' commission	**(14.3)**	(22.2)	7.9	35.6	35.6
Other costs	**(37.1)**	(42.5)	5.4	12.7	12.9
(Loss) / profit before taxation	**(7.2)**	16.1	(23.3)	(144.7)	

The Hungarian economy was probably the weakest of all the European markets as it entered the recession. This exacerbated its impact with the result that during 2009 GDP contracted by 6.3%. This resulted in a sharp reduction in employment and pay cuts for many of those remaining in employment. These factors and increased taxation led to a sharp reduction in household income which, in turn, meant that our collections performance was much reduced through the first and second quarters. A large number of customers fell into arrears and despite intensive management action we were unable to return them to a reasonable level of repayment. This led to a significant increase in impairment and reductions in the volume of credit issued, and therefore revenue, with lower collections performance driving a reduction in the number of customers qualifying for the offer of further credit.

Hungary
(Loss) / profit before tax by quarter, 2009 (£m)



*Excludes £3 million of one-off restructuring costs.

Our response was swift and in May we decided to write off approximately 80,000 customers who were paying very poorly and to downsize the operation accordingly. This entailed reducing the number of agents by approximately a third and reducing employee numbers by approximately a quarter. As a result of these remedial actions, the Hungarian business made an underlying profit of £2.8 million in the second half:

	H2 2009 £m	H2 2008 £m	Change at CER %	**H1 2009 £m**	H1 2008 £m	Change at CER %
Customer numbers (000s)	**227**	321	(29.3)	**280**	323	(13.3)
Credit issued	**45.1**	74.9	(39.6)	**43.6**	75.2	(42.7)
Average net receivables	**61.5**	92.4	(33.4)	**77.2**	87.6	(12.6)
Revenue	**37.6**	57.3	(34.3)	**47.2**	55.8	(16.3)
Impairment	**(6.4)**	(8.9)	28.9	**(25.1)**	(16.9)	(45.9)
	31.2	48.4	(35.3)	**22.1**	38.9	(43.2)
Finance costs	**(3.1)**	(3.2)	3.1	**(3.4)**	(3.3)	(3.0)
Agents' commission	**(6.6)**	(11.6)	42.6	**(7.7)**	(10.6)	28.0
Other costs	**(18.7)**	(22.4)	15.8	**(18.0)**	(20.1)	11.8
Profit / (loss) before taxation*	**2.8**	11.2		**(7.0)**	4.9	

*Excluding £3.0 million of one-off restructuring costs.

The Hungarian business ended 2009 with 227,000 customers, a reduction of just under a third, with similar reductions in average receivables and revenue. The reduction in the volume of credit issued was higher at 41%. This reflects the tight credit controls we maintained throughout the year, with a lower proportion of new and existing customers qualifying for loan offers. This has resulted in a significant improvement in credit quality and collections performance throughout the second half of the year with credit quality on new loans granted in 2010 at levels significantly better than our benchmark levels. We have maintained these very tight controls at the expense of growth whilst we stabilised the business following the mid-year restructuring. However, we are now in a position to ease credit controls at the start of 2010.

As a result of the tight credit controls, impairment returned to more normal levels in the second half and was 29% lower than the second half of 2008. Agents' commission costs reduced by 43% and other costs reduced by 16% compared with the second half of last year, reflecting the downsizing of the business.

Hungary
Customer numbers

227,000

(2008: 321,000)

Hungary
Average net receivables

£69.4m

(2008: £89.9m)

Hungary
Impairment as a % of revenue

40%

(2008: 23%)

Developing markets

Mexico

Mexico reported a pre-tax profit of £0.3 million, an improvement of £9.0 million compared with start-up losses of £8.7 million in 2008. This reflects a good second half performance, with a pre-tax profit of £3.8 million compared with losses in the second half of 2008 of £3.3 million.

Both the Puebla and Guadalajara regions reported improvements in profitability, whilst the increase in head office costs was carefully controlled, despite the strong volume growth in both regions.

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

	2009 £m	2008 £m	Change £m	Change %
Puebla	**2.9**	(2.1)	5.0	238.1
Guadalajara	**3.9**	(0.9)	4.8	533.3
Head office	**(6.5)**	(5.7)	(0.8)	(14.0)
Profit / (loss) before taxation	**0.3**	(8.7)	9.0	103.4

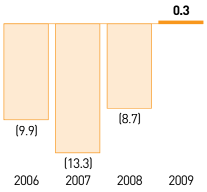
The results for the year are set out below:

	2009 £m	2008 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**524**	370	154	41.6	41.6
Credit issued	**99.2**	67.4	31.8	47.2	53.1
Average net receivables	**48.6**	28.9	19.7	68.2	73.6
Revenue	**74.8**	48.4	26.4	54.5	60.2
Impairment	**(27.7)**	(17.2)	(10.5)	(61.0)	(65.9)
	47.1	31.2	15.9	51.0	57.0
Finance costs	**(4.5)**	(4.0)	(0.5)	(12.5)	(15.4)
Agents' commission	**(8.2)**	(5.5)	(2.7)	(49.1)	(57.7)
Other costs	**(34.1)**	(30.4)	(3.7)	(12.2)	(14.4)
Profit / (loss) before taxation	**0.3**	(8.7)	9.0	103.4	

Mexico's progression to profit has been delivered through a combination of strong growth whilst maintaining credit quality at acceptable levels. During 2009 customer numbers grew by 42% from 370,000 to 524,000 and this drove similar increases in credit issued, receivables and revenues. At 31 December 2009 we had 302,000 customers in the Puebla region, managed from 23 branches and 222,000 customers in the Guadalajara region, managed from 16 branches, six of which were opened during 2009.

The Mexican economy, which is heavily linked with that of the USA, contracted by 6.7% in 2009, although we did not see this resulting in a significant reduction in customers' disposable income in the areas and demographic segments we serve. Collections performance and credit quality remained relatively stable throughout the year. As a result, despite rapid growth and a higher proportion of new customers in the mix, impairment as a percentage of revenue was 37%, only slightly up on the figure for 2008.

Mexico
(Loss) / profit before tax (£m)



Mexico
Customer numbers

524,000

(2008: 370,000)

Mexico
Average net receivables

£48.6m

(2008: £28.9m)

Mexico
Impairment as a % of revenue

37%

(2008: 36%)

Finance costs increased by £0.5 million (15%) to £4.5 million, and agents' commission increased by 58% to £8.2 million, in line with the increase in revenues. Other costs increased at a much lower rate of 14% to £34.1 million. As a result, the cost to income ratio improved from 63% in 2008 to 46% in 2009.

We intend to open new branches in the Guadalajara and Puebla regions in 2010 and to enter a further region in Monterrey. In total this will increase our branch infrastructure from 39 to 51 branches giving further operating leverage in the business as country costs are spread over a greater revenue base.

Romania

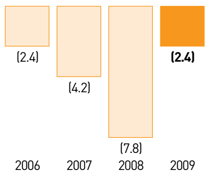
Romania was badly affected by the recession although the impact was felt later in the year than in Central Europe. Against this backdrop the Romanian business performed well. Through a combination of strong growth in customers and receivables and lower, controlled growth in costs, start-up losses have reduced to £2.4 million (2008: £7.8 million), a reduction of £5.4 million. We remain cautious on the economic outlook, and as a precautionary measure, implemented a credit tightening in November 2009. Nonetheless, providing economic conditions remain stable we expect Romania to report a profit for 2010.

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

	2009 £m	2008 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**164**	85	79	92.9	92.9
Credit issued	**64.1**	33.5	30.6	91.3	99.7
Average net receivables	**28.6**	11.9	16.7	140.4	150.9
Revenue	**35.8**	15.5	20.3	131.0	140.3
Impairment	**(13.1)**	(4.0)	(9.1)	(227.5)	(244.7)
	22.7	11.5	11.2	97.4	104.5
Finance costs	**(1.9)**	(2.4)	0.5	20.8	32.1
Agents' commission	**(3.4)**	(1.5)	(1.9)	(126.7)	(126.7)
Other costs	**(19.8)**	(15.4)	(4.4)	(28.6)	(36.6)
Loss before taxation	**(2.4)**	(7.8)	5.4	69.2	

During 2008, we expanded the branch infrastructure in Romania from 7 branches to 16, which largely completed our national infrastructure. During 2009 no new branches were opened and, instead, we focused on increasing customer numbers and receivables from the existing branch infrastructure. This strategy was successful and the business continued to grow rapidly. Customer numbers nearly doubled from 85,000 to 164,000, an increase of 93% and this has driven an increase in credit issued of 100% and average receivables of 151%. As a result of this strong growth, revenue increased by 140%.

Romania
Loss before tax (£m)



Romania
Customer numbers

164,000

(2008: 85,000)

Romania
Average net receivables

£28.6m

(2008: £11.9m)

Romania
Impairment as a % of revenue

37%

(2008: 26%)

Credit controls were tightened in Romania in the fourth quarter of 2008 as in other markets. During 2009, credit quality was good, albeit worse than in 2008 as rapid growth in the business was partially offset by a weaker economy affecting collections performance. The net impact during 2009 was an increase in impairment from £4.0 million to £13.1 million and an increase in impairment as a percentage of revenue from 26% to 37%, which is not unusual for a country at this stage of its development and is comparable with Mexico.

At the end of 2008, the Romanian business received an equity injection of £14.7 million partly in response to a temporary dislocation in the local funding market, and partly to strengthen the local balance sheet. As a result, finance costs reduced by £0.5 million to £1.9 million.

During 2009, revenues increased by 140%. Agents' commission increased by £1.9 million to £3.4 million, in line with the increase in revenues, but other costs increased at a much lower rate of 37% to £19.8 million. As a result the cost to income ratio improved from 99% in 2008 to 55% in 2009.

John Harnett
Chief Executive Officer

> “In Romania, customer numbers nearly doubled from 85,000 to 164,000, an increase of 93% and this has driven an increase in credit issued of 100% and average receivables of 151%. As a result of this strong growth, revenue increased by 140%.”

Our board and committees

(as at 3 March 2010)

Christopher Rodrigues CBE

Non-Executive Chairman, age 60

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.

Craig Shannon

Development Director, age 46

Craig joined the board of International Personal Finance plc in May 2009 as Development Director and has responsibility for human resources, information technology and operations support.

Qualifications: Graduated in Economics and has an MBA.

Previous appointments: Chief Change Officer and acting HR director of Friends Provident plc, executive director of the Co-operative Bank plc and a partner in L.E.K. Consulting LLP.

Tony Hales CBE

Independent non-executive director, age 61

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 SIS Group 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.

John Harnett

Chief Executive Officer, age 55

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.

Ray Miles

Deputy Chairman and senior independent director, age 65

Ray joined the board of International Personal Finance plc as a non-executive director in 2007 and serves as Deputy Chairman and senior independent director.

Qualifications: Graduated in Economics and has an MBA.

Other appointments: Chairman of Southern Cross Healthcare Group plc and advisory director of Stena AB of Sweden.

Previous appointments: Chief Executive of CP Ships Limited and non-executive director of Provident Financial plc.

Edyta Kurek

Independent non-executive director, age 43

Edyta joined the board of International Personal Finance plc as a non-executive director in February 2010. She is Vice President East Central Europe and Middle East, and General Manager of Herbalife Polska Sp. z o.o.

Qualifications: Graduated in Nuclear Engineering.

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

David Broadbent

Finance Director, age 41

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.

Charles Gregson

Independent non-executive director, age 63

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 CPP Limited, 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.

Nick Page

Independent non-executive director, age 57

Nick 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.

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.

Audit and risk committee

Nick Page (Chairman)
Tony Hales
Ray Miles

Remuneration committee

Ray Miles (Chairman)
Tony Hales
Nick Page

Nomination committee

Christopher Rodrigues (Chairman)
Charles Gregson
Tony Hales
John Harnett
Ray Miles
Nick Page

Executive committee

John Harnett (Chairman)
David Broadbent
Craig Shannon

Disclosure committee

John Harnett (Chairman)
David Broadbent
Craig Shannon
Rosamond Marshall Smith

Our senior management group

David Parkinson
Country manager – Poland

David joined the international team in 2003 as field development manager and was appointed as country manager of the Czech Republic and Slovakia in January 2008 and as 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 our 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

John joined the international team in 2007 as director of information technology ('IT'), 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
New markets

Fred joined the international team as Development Director in 2003. He is responsible for identifying, researching and setting up new country opportunities and for managing the portfolio of new markets. He previously served as HR director, marketing and commercial director, and deputy managing director of the UK home credit division of Provident Financial plc.

John Williams
Credit and risk

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

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.

Helen Thornton
Human resources

Helen joined the international team in June 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.

John Mitra
Marketing and communications

John joined the international team in 2004 as marketing and communications director having previously worked for global companies including Rothmans, Sheaffer and Bic International. He is responsible for developing the marketing and communications strategy for the business.

Corporate governance statement

Introduction

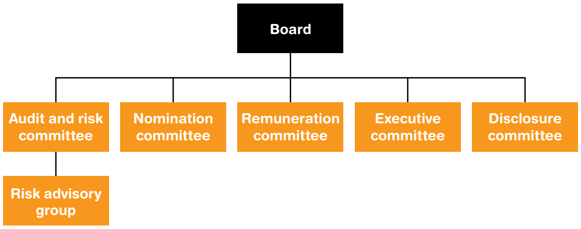
This constitutes the corporate governance statement pursuant to Rule 7.2 of the Disclosure and Transparency Rules. It explains how the Company applied the principles set out in Section 1 of the Combined Code ('the Combined Code') published by the Financial Reporting Council ('FRC') in June 2008 in the financial year ending on 31 December 2009. The Combined Code is available on the FRC's website at www.frc.org.uk.

Statement of compliance with the Combined Code

The Company complied with all the provisions in Section 1 of the Combined Code throughout 2009 with one exception.

Code provision B.1.1: The International Personal Finance plc Incentive Plan provides 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.

Structure



The board

Members and attendance

The board leads and controls the Company. There were seven scheduled meetings and five additional meetings (some of which were held by telephone). The members and their attendance at board meetings in 2009 were as follows:

Name	Number of meetings	Number attended
Christopher Rodrigues (Chairman)	12	12
David Broadbent (Finance Director)	12	12
Charles Gregson (Non-executive director)	12	12
Tony Hales (Non-executive director)*	12	11
John Harnett (Chief Executive Officer)	12	12
Ray Miles (Non-executive director)**	12	11
Nick Page (Non-executive director)	12	12
Craig Shannon (Development Director)***	8	8

*Missed one meeting because of holiday.
**Missed one telephone meeting because of a prior commitment.
***Craig Shannon became a director on 13 May 2009.

In addition to its board meetings, the board held a strategy retreat in April 2009 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 corporate strategy, approval of budgets and financial results, new board appointments, proposals for dividend payments and the approval of all major transactions.

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.

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 2009.

Non-executive directors

The 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 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 before concluding that service on a previous board with John Harnett does not currently affect his status as an independent director on this board.

However, Charles Gregson's term is being extended for a further year from 30 June 2010 and for this term he will no longer be regarded as independent.

Ray Miles, 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 which 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.

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 that 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 as such, 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.

Performance evaluation

The board has carried out an evaluation of its performance and that of its committees and individual directors in 2009. The Chairman was responsible for this evaluation which was carried out by means of a questionnaire and a number of individual meetings. The Chief Executive Officer formally evaluated the other executive directors.

A summary of the evaluation was presented to the board and, after discussion, approved. A number of improvements to board arrangements were agreed.

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 2010. 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. The Company also arranges presentations for the board on topical subjects following board meetings, when appropriate.

Report on the audit and risk committee

Members and attendance

The members and their attendance at committee meetings in 2009 were as follows:

Name	Number of meetings	Number attended
Nick Page (Chairman)	5	5
Tony Hales	5	5
Ray Miles*	5	4

*Missed one meeting because of a prior commitment.

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. From time to time country managers or heads of function will attend to present to the committee on an aspect of the business. The committee has a session at meetings 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, Nick Page, has a degree in philosophy, politics and economics and is a Fellow of the Institute of Chartered Accountants in England and Wales. Ray Miles has a degree in economics and an MBA and Tony Hales has a degree in chemistry.

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, PricewaterhouseCoopers ('PwC'), and in relation to the internal audit firm, Ernst & Young ('EY'), and to approve their terms of appointment;
- to 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;
- to develop and implement policy on the engagement of the external auditors to supply non-audit services;
- to 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;
- to keep under review the effectiveness of the Group's system of internal controls, including operational and compliance controls and risk management;
- to keep under review the Group risk register and to consider the most important risks facing the Group and their mitigation; and
- to keep under review the Group's whistle-blowing policy.

Work in 2009

During 2009 the committee:

- oversaw the implementation of a co-sourced internal audit operation with internal audit functions being established in all the businesses under the direction of the head of compliance and risk, and EY performing special projects and such work as will allow them to report to the committee on internal controls. For 2010 internal audit work will be carried out by the local audit teams. EY will review the work in order to provide assurance on the operation of internal controls for the purpose of the Combined Code and will carry out separate pieces of work on specific high risk areas;

- reviewed an internal audit activity report at each meeting and considered a number of reports from the internal audit functions and EY on specific areas of the business;
- considered a report by 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 2009 audit and agreed this (December);
- agreed the internal audit plan for 2010 – 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);
- reviewed comprehensively the Group risk register on two occasions and kept under review the top risks facing the Group and their mitigation;
- received presentations on different areas of the business from senior managers and considered the internal controls / risks; and
- considered the Walker Report (a review of corporate governance within UK banks).

As a result of the latter, the committee decided to increase its focus on risk by formally devoting at least two meetings a year to risk.

Independence of auditors

The committee is conscious of the need to ensure 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 PwC once a year.

The committee has adopted a policy on the appointment of employees from the auditors to positions within the various Group finance departments. This prevents key members of the audit engagement team from being employed 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 advisers;
- 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 PwC. Fees paid to PwC in 2009 are set out in note 4 of the notes to the financial statements. The non-audit services (other than work on tax) principally related to a review of budget update assumptions and to work on the funding strategy for the Romanian business.

Reappointment of auditors

A resolution to reappoint PwC will be proposed at the forthcoming AGM. The committee recommended to the board the reappointment of PwC for the following reason. PwC were first appointed in 2007 and consequently this will be their third audit of the Group. In view of this and the necessity for the auditors to build up their knowledge of the business over a period of time, it was not considered appropriate or desirable to make any change this year. However, the contract with PwC is an annual one. The committee will formally consider the appointment of auditors later this year, including whether it would be appropriate to put the audit out to tender.

Report on the nomination committee

Members and attendance

The members and their attendance at committee meetings in 2009 were as follows:

Name	Number of meetings	Number attended
Christopher Rodrigues (Chairman)	4	4
Charles Gregson	4	4
Tony Hales	4	4
John Harnett	4	4
Ray Miles	4	4
Nick Page	4	4

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
- to keep under review the size, structure and composition of the board and succession.

Work in 2009

The committee has kept the size, structure and composition of the board under review. It oversaw the recruitment process which led to the appointment of a new executive director. It approved the job specification, instructed search consultants and recommended to the board the appointment of Craig Shannon as Development Director which took place in May 2009. Similarly, it approved the job specifications and instructed search consultants in 2009 in relation to the appointment of two new non-executive directors. This led to its recommending to the board the appointment of Edyta Kurek which took place in February 2010 and the proposed appointment of John Lorimer in May 2010.

In December 2009, it reviewed the succession plan and formally reported to the board that it had done so.

Report on the remuneration committee

Members and attendance

The members and their attendance at committee meetings in 2009 were as follows:

Name	Number of meetings	Number attended
Ray Miles (Chairman)	4	4
Tony Hales	4	4
Nick Page	4	4

Remit

Its remit is:

- to consider the framework of executive remuneration and make recommendations to the board;
- to determine the specific remuneration packages and conditions of service of the Chairman, the executive directors, the Company Secretary and the Senior Management Group; and
- to 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 executive committee

Until May 2009, this committee consisted of John Harnett (Chairman) and David Broadbent. Since 13 May 2009 Craig Shannon has also been a member. 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 May 2009, this committee consisted of David Broadbent and Rosamond Marshall Smith under the chairmanship of John Harnett. Since 13 May 2009 Craig Shannon has also been a member. Its remit is to ensure that the Company's obligations pursuant to the Disclosure and Transparency Rules are discharged and that appropriate policies and procedures are in place.

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 December each year, the board approves a detailed budget for the year ahead. It also approves outline projections for the subsequent four years. A detailed review takes place at the half year. 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. Twice a year it considers the risk assessments and risk registers produced by the subsidiaries and updates the Group risk register and top risks. It considers areas of specific risk and particular issues. It reports to the audit and risk committee.

The audit and risk committee considers the Group risk register and the nature and extent of the risks facing the Group. It reviews the top risks and the framework to 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 EY and reports to the board regularly. During 2009, the Group has moved to a co-sourced internal audit model with the establishment of local internal audit teams who now report to the head of compliance and risk. An annual programme of work is carried out by the Group internal auditors with EY continuing to perform audit work in respect of a number of key Group risk areas along with a review of the Group internal audit function. This programme of work is designed to test the adequacy of key internal controls and compliance with operational best practice guidelines. 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 the 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 senior manager responsible for corporate reporting 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 2009. The process for identifying, evaluating and managing the significant risks faced by the Group was in place throughout 2009 and up to 3 March 2010. 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.

Relations with shareholders

The executive directors meet with institutional shareholders on a regular basis. 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 reports, 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 a dedicated 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 £38,000 for (UK) charitable purposes. Community investment across the Group totalled £750,000 in cash, employee time and in-kind contributions to charitable and community investment organisations. A further £200,000 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. ESG risks are dealt with via the Company's risk management process. Details of this are set out in the internal control and risk management section.

The board has identified and assessed the significance of ESG risks to the Company's short and long-term value as part of the risk management procedures. 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.

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 2009. The corporate responsibility ('CR') steering committee also reports formally to the board at least once a year. Details of training for directors are set out in the training section in the 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 personal safety committee which is chaired by the Development Director. 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 and each board produces a written report for the health and personal safety committee once a year.

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 non-financial customer data as detailed on page 80.

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 2009, two of the executive directors were given specific objectives relating to ESG issues for the purposes of the annual bonus scheme: these related to recruitment, development and retention of agents and employees. 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).

Share capital information

As at 31 December 2009, the Company's authorised share capital was £50,150,002 divided into 501,500,020 ordinary shares of 10 pence each. On 31 December 2009, there were 257,217,888 ordinary shares 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 non-certificated 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 Memorandum and Articles of Association. For example, the Articles 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.

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 following:

The board may refuse to register the transfer of:

a) a partly-paid share;

b) an uncertificated share in the circumstances set out in the Uncertificated Securities Regulations 2001; and

c) 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 2009, the trustee held 3,650,796 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 and the ability of a lender to cancel its commitment and for outstanding amounts to become due and payable.

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

The Company presents its own annual report and its consolidated annual report as a single report.

Directors' responsibilities in relation to the financial statements

The directors are responsible for preparing the Annual Report, 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 elected to prepare 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 United Kingdom 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; Craig Shannon, Development Director; Charles Gregson, non-executive director; Tony Hales, non-executive director; Edyta Kurek, non-executive director; Ray Miles, non-executive director; and Nick 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 2009, 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 2009**	Number of shares at 31 Dec 2008
Christopher Rodrigues	**218,562**	218,562
David Broadbent	**18,036**	10,000
Charles Gregson	**58,187**	58,187
Tony Hales	**25,000**	25,000
John Harnett	**267,905**	163,071
Ray Miles	**219,046**	211,226
Nick Page	**50,674**	50,674
Craig Shannon*	**–**	–

*Appointed 13 May 2009.

There were no changes in these interests between 31 December 2009 and 24 February 2010.

Details of contingent awards of shares / nil cost options to directors are set out in the sections on the Incentive Plan and the Performance Share Plan 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 2009 or at any time up to 3 March 2010 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 2009 and up to 3 March 2010.

Authority to allot shares

As at 31 December 2009, the directors had authority to allot further securities up to an aggregate nominal amount of £8,500,000. Further authorities will be sought at the forthcoming annual general meeting ('AGM').

Equity incentive schemes

The Company currently operates three equity incentive schemes. All awards granted under a fourth scheme vested in 2009. Further details of these and 2009 grants are set out in the directors' remuneration report. The schemes are as follows:

Scheme	Abbreviated name	Eligible participants
The International Personal Finance plc Incentive Plan	The Incentive Plan	Executive directors and the Senior Management Group
The International Personal Finance plc Performance Share Plan	The Performance Share Plan	Senior managers
The International Personal Finance plc Employee Savings-Related Share Option Scheme	The SAYE Scheme	Executive directors and UK employees
The International Personal Finance plc Exchange Share Scheme	The Exchange Scheme	Executive directors and senior managers who held options under the Provident Financial Executive Share Option Scheme 2006 (All awards now vested)

Details of awards made in 2009 are as follows:

Scheme	Date of grant	Number of shares	Exercise price (if any)	Normal exercise / vesting date
Performance Share Plan	20 Mar 2009	273,791	£nil	16 Jul 2010**
Performance Share Plan	20 Mar 2009	634,764	£nil	20 Mar 2012**
SAYE Scheme	1 Sep 2009	574,640	112p	1 Oct 2012-1 Apr 2017***
Performance Share Plan	16 Dec 2009	105,140	£nil	16 Dec 2012-15 Dec 2019**

Details of outstanding awards are as follows:

Scheme	Awards exercised / vested	Awards outstanding at 31 December 2009	Exercise price (if any)	Normal exercise / vesting date	Awards exercised / vested from 1 January to 24 Feb 2010
Incentive Plan	None	To be determined*	£nil	16 Jul 2010**	None
Performance Share Plan	None	2,796,546	£nil	16 Jul 2010-15 Dec 2019**	None
Exchange Scheme	341,450	None	£nil	1 Jun 2009-7 Jun 2009	None
SAYE Scheme	None	619,376	112p-188p	1 Jun 2011-1 April 2016***	None

*The number of shares comprised in the awards will be calculated at the conclusion of the performance period on 16 July 2010.
**Half of the shares 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.

Authority to purchase shares

The Company had authority to purchase up to 25,721,700 of its own shares up until the earlier of the conclusion of the next AGM and 30 June 2010. 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.

Interests in voting rights

As at 24 February 2010, 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	% of issued share capital	Nature of holding
Standard Life Investments Ltd	17,938,396	6.97	Direct / Indirect
JPMorgan Asset Management Holdings Inc.	14,551,683	5.65	Indirect
FMR LLC	13,460,723	5.23	Indirect
Marathon Asset Management LLP	12,874,168	5.01	Indirect
FIL Limited	12,840,813	4.99	Indirect
Schroders plc	12,287,572	4.78	Indirect
BlackRock, Inc.	11,670,102	4.54	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 2009. The average number of days' credit taken by the Group during the year was seven days (2008: ten 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 the 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 Hughes Network Systems Limited, Mastek UK Limited, Fujitsu Services Limited 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, 12 May 2010 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 12 March 2010.

Approved by the board on 3 March 2010.

Rosamond Marshall Smith
General Counsel & Company Secretary

3 March 2010

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’). 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 12 May 2010.

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

Throughout 2009 the committee consisted of Tony Hales and Nick Page under the chairmanship of Ray Miles.

Further details are set out in the report on the remuneration committee in the corporate governance statement.

Other matters

The committee has appointed 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 2009; as a solicitor she provides legal and technical support to the committee. In addition, Mercers provided advice to the committee on pensions during 2009.

Statement of the Company’s policy on directors’ remuneration

Key principles of the remuneration policy

The remuneration policy applied by the committee is:

- based on the need to attract, reward, motivate and retain the talent the Company requires to achieve its plans;
- to pay remuneration at market levels; and
- designed to ensure that a significant proportion of the executive directors’ remuneration is linked to performance and payable in shares in the Company, through the operation of the annual bonus and the long-term incentive plan.

Annual salary, benefits and fees

The Chairman was Executive Chairman, devoting three days a week to his role with the Company, until 22 October 2008 when he became Non-Executive Chairman. In consequence, his remuneration was reduced and his benefits were phased out in the period up to 31 December 2008, with the exception of his car which was returned shortly before the end of the Company’s lease in March 2010. He continues his existing participation in a long-term incentive plan at a reduced level but will not receive any further awards under the Company’s equity incentive schemes. With effect from 1 January 2010, his remuneration was further reduced to £150,000 a year.

The executive directors’ remuneration consists of a basic salary, an annual bonus (subject to performance conditions), 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. However, in view of current economic conditions, and the reduction in profit, no general increases in basic salary were awarded either to the executive directors or the Senior Management Group with effect from 1 January 2010.

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. The fee payable to the Deputy Chairman was reduced in 2009 to reflect the new scope of this role. 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.

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 2009 the executive directors were eligible for a cash bonus by reference to pre-tax profit and personal objectives, subject to a maximum of 100% of salary.

The committee has determined that for future years the bonus should be payable as to one-third in cash and two-thirds in deferred shares. For 2010 a new scheme is proposed for executive directors subject, in the case of the share element, to shareholder approval. The bonus will be 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 will also be 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. Further details are contained in the Chairman's letter to shareholders to be dated 12 March 2010. Bonuses do not form part of pensionable earnings. A similar scheme, at reduced levels, will operate for the Senior Management Group, Group subsidiary directors and senior managers.

Equity incentive schemes

The Company currently operates three equity incentive schemes for directors and employees. These are:

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

The schemes 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.

In addition, the Company operated The International Personal Finance plc Exchange Share Scheme 2007 ('the Exchange Scheme') from the demerger until all awards vested in June 2009. No further awards can be made under the Exchange Scheme.

The Incentive Plan

The Incentive Plan provides a one-off incentive to 11 senior executives in the period following demerger. If absolute total shareholder return ('TSR') growth of 30% is achieved over a three-year performance period, starting from the demerger, and employment conditions are met, awards under the Incentive Plan will enable participants, according to their seniority, to share in a pool of up to 3% of the total growth in value ('the earned value pool') delivered to shareholders. The committee believes that absolute TSR is a simple and objective measure of shareholder value creation, given the lack of comparable companies. All benefits under the Incentive Plan will be delivered in shares, with 50% delivered shortly after the end of the performance period and delivery of the further 50% deferred for a further 12 months. Awards under the Incentive Plan were granted to the Chairman, the Chief Executive Officer and Finance Director and certain senior executives following the demerger. No awards were made under the Incentive Plan in 2009.

The Performance Share Plan

Contingent awards of shares were made under the Performance Share Plan following the demerger to key senior managers who did not participate in the Incentive Plan. The awards will vest after a three-year performance period, starting from the demerger date, with vesting determined by a range of TSR growth targets and by employment conditions. TSR is calculated on the same basis as for the Incentive Plan. No award will vest if TSR growth is less than 30%. 50% 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. In 2009 awards were made to senior managers and a new executive director, Craig Shannon, with a three-year performance period starting on the award date. Under Craig Shannon's award vesting at threshold is 33% rather than 50%.

New policy on grants

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. The vesting of the awards made under the Incentive Plan in July 2007 will be determined in July 2010 and at that point it will be necessary to grant further equity incentives to the executive directors and senior executives. It is therefore proposed that the Performance Share Plan should be used for this purpose and this will mean that the executive directors and senior management will all participate in one plan. The performance target will be determined by the committee at the time of grant but is expected to be based on TSR, as currently, with vesting at threshold at 33%. It is also expected that awards of up to 100% and 75% of salary will be made in 2010 and thereafter for executive directors and other senior managers respectively. The committee has also decided that it would be appropriate to implement an HM Revenue and Customs approved company share option plan. 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. Further details are contained in the Chairman's letter to shareholders to be dated 12 March 2010.

The Exchange Scheme

Awards were made following the demerger to the executive directors and 55 other Group senior managers who held options under the Provident Financial Executive Share Option Scheme 2006, which lapsed at the demerger, and awards under the Provident Financial Long Term Incentive Scheme 2006 which were cancelled, in return for the grant of new equivalent awards under the Exchange Scheme. These options / awards under the PF schemes were valued as at 30 June 2007 and awards were made in the form of contingent rights to acquire shares in the Company with an equivalent value for £nil consideration, which would normally vest on the third anniversary of the date of grant of the original award. The remuneration committee of PF determined this to be the most appropriate approach in all the circumstances. All awards under the Exchange Scheme vested in June 2009, so it has now terminated.

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 and 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 Inland Revenue approved scheme open to employees at all levels.

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 would seek mitigation of loss by the director concerned and aim 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

In 2009 the shareholding policy for directors and senior managers was amended. Over a three-year period they should acquire a beneficial shareholding with a value equal to a percentage of their gross basic annual salary (or, in the case of non-executive directors, fees) as follows:

Category	Percentage of gross salary / fee
Executive director	200%
Non-executive director	100%
Senior Management Group	100%
Other senior managers	50%

Senior management remuneration

The committee also determines the structure and level of pay of the Senior Management Group and Company Secretary. Half of this group currently have salaries ranging from £120,000 to £139,999 and half have salaries ranging from £140,000 to £190,000.

Details of directors' service agreements

Election and re-election of directors

At the forthcoming annual general meeting ('AGM'), Nick Page and David Broadbent will be offering themselves for re-election. Edyta Kurek and John Lorimer will be offering themselves for 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. Craig Shannon has a service agreement dated 22 May 2009 as varied on 11 December 2009.

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

Charles Gregson, Tony Hales, Ray Miles and Nick Page each has a letter of appointment dated 19 June 2007 and has been appointed until 30 June 2010. Edyta Kurek has a letter of appointment dated 15 February 2010. Each director has been appointed for three years, subject to re-election by shareholders. The initial three-year period may be extended. For appointments / reappointments made after 1 January 2010, the Company can terminate the appointment on three months' notice.

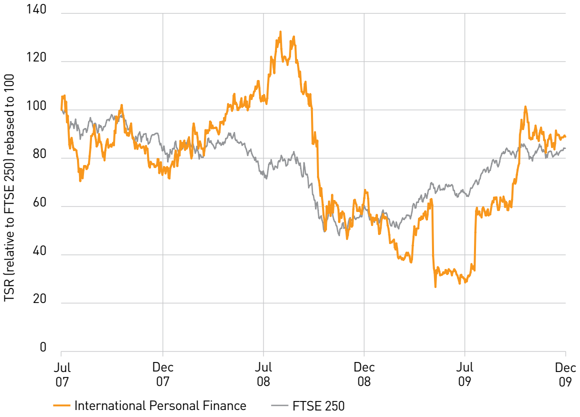
It has been agreed that Tony Hales and Nick Page will each serve a further three year term to 30 June 2013. Charles Gregson will serve a further one year term to 30 June 2011.

Ray Miles will be standing down as a director at the AGM.

Subject to shareholder approval at the AGM, John Lorimer will be appointed for a three year term to 31 May 2013. He does not yet have a letter of appointment.

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 approximately 90% 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 and the Group's equity incentive schemes, is audited in accordance with the requirements of the Companies Act 2006.

Directors' remuneration

Remuneration

The directors' remuneration for 2009 amounted to £1,482,000 (2008: £1,931,000) analysed as follows:

Director's name	Salary £000	Bonus £000	Benefits £000	Fees £000	**2009 Total £000**	2008 Total £000
Christopher Rodrigues	250	–	24	–	**274**	373
John Harnett	450	–	29	–	**479**	799
David Broadbent	250	–	32	–	**282**	489
Craig Shannon*	190	–	10	–	**200**	–
Charles Gregson	–	–	–	45	**45**	45
Tony Hales	–	–	–	45	**45**	45
Ray Miles	–	–	–	97	**97**	120
Nick Page	–	–	–	60	**60**	60
Total	1,140	–	95	247	**1,482**	1,931

*Craig Shannon became a director on 13 May 2009.

Notes to remuneration

No bonuses were paid to the executive directors for 2009, as the Company's pre-tax profit was below the threshold set in the bonus scheme.

Incentive Plan

Awards

Awards made under the Incentive Plan are as follows:

Director's name	Awards held at 31 Dec 2008	Awards granted in 2009	Awards held at 31 Dec 2009	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 make available to participants, and thus are shown as, a percentage of the earned value pool (as defined above in the Statement of the Company's policy on directors' remuneration: the Incentive Plan) at the end of the performance condition period. The total pool may be up to 3% of the total return to shareholders in the performance condition period. For this purpose, the total return to shareholders will be calculated as the absolute TSR growth of the total issued share capital of the Company at the demerger (16 July 2007) expressed as a monetary amount. No awards will vest if TSR growth is less than 30%.

Awards will be satisfied in shares. For the purposes of the Incentive Plan, the starting point is the average value of the issued share capital over the month following demerger which was 226 pence per share. There were no changes in the interests of the directors under the Incentive Plan between 31 December 2009 and 24 February 2010. There have been no variations in the terms and conditions of plan interests during the year.

Directors' remuneration report

Performance share plan

Award

The award made under the Performance Share Plan is as follows:

Director's name	Date of award	Total awards held at 31 Dec 2009	Performance condition period	Exercise period	Market price of shares at date of grant (p)
Craig Shannon	16 Dec 2009	105,140	16 Dec 2009 -15 Dec 2012	16 Dec 2012 -15 Dec 2019	214

Notes to award

The award is a nil cost option 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.

The mid-market closing price of the Company's shares on 31 December 2009 was 208 pence and the range during 2009 was 64 pence to 237 pence.

The Exchange Scheme

Vesting of awards

Awards made under the Exchange Scheme vested in 2009 as follows:

Director's name	Date of award	Total awards held at 31 Dec 2008	Date all awards vested	Total awards held at 31 Dec 2009	Market price of shares at date of grant (p)	Market price of shares at date of vesting (p)
John Harnett	20 Jul 2007	81,278	1 Jun 2009	–	250	80
		23,556	7 Jun 2009	–	250	81
David Broadbent	20 Jul 2007	8,036	7 Jun 2009	–	250	81

Notes to vesting of awards

No awards were made during the year. The awards were contingent rights to acquire shares for £nil consideration. There were no performance conditions other than those related to continued employment. During the year all of the outstanding awards vested, as a result of which the Exchange Scheme has terminated. There were no variations in the terms and conditions of scheme interests during the year.

The SAYE Scheme

Award

The award held under the SAYE Scheme is as follows:

Director's name	Date of award	Total awards at 31 Dec 2008	Awards made in 2009	Total awards made at 31 Dec 2009	Exercise price (p)	Market price at date of grant (p)	Normal exercisable dates
David Broadbent	2 Apr 2008	8,936	–	8,936	188	228	1 Jun 2013 -1 Dec 2013

Notes to award

No consideration is payable on the grant of an option.

There were no changes in the interests of the directors under the SAYE Scheme between 31 December 2009 and 24 February 2010.

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 2009 was 208 pence and the range during 2009 was 64 pence to 237 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'). New employees were 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. One director has joined the Stakeholder Scheme but also receives a cash supplement.

Pensions review

In 2009 a full review of pensions was carried out. 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.

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 2009 (including the cost of the life insurance) amounted to £114,663.

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 2009	13,205
Accrued pension at 31 December 2008	12,577
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 2009	170,589
Transfer value of accrued pension at 31 December 2008	109,029
Total change in transfer value during the period (net of director's contributions)	61,560
Director's contributions in 2009	–

*There was no increase other than the inflation-related increase.

Cash balance	£
Accrued cash balance lump sum at 31 December 2009	94,135
Accrued cash balance lump sum at 31 December 2008	89,652
Increase in cash balance lump sum during the year (net of inflation)	–*
Transfer value at 31 December 2009	60,910
Transfer value at 31 December 2008	39,853**
Total change in transfer value during the period (net of director's contributions)	21,057
Director's contributions in 2009	–

*There was no increase other than the inflation-related increase.
**Restated basis.

David Broadbent was age 41 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. The Company contributes 30% of his basic salary to his pension arrangements. The Company's contributions in respect of David Broadbent during 2009 (including the cost of the life insurance) amounted to £76,171.

Development Director

Whilst the pensions review was being carried out, the Company accrued 20% of Craig Shannon's basic salary for pension contributions. Thus, at the end of 2009, £38,000 was accrued. He has life insurance benefit of four times salary at date of death; the cost of this for 2009 was £1,405. Craig Shannon has joined the Stakeholder Scheme with effect from 1 March 2010. To the extent that it is tax efficient to do so, part of the accrued contributions will be paid into the Stakeholder Scheme and the balance will be paid as a salary supplement (reduced to take account of employers' national insurance) so that the net cost to the Company is the same.

Approved by the board on 3 March 2010.

Rosamond Marshall Smith
General Counsel & Company Secretary

3 March 2010

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 performance information hereafter 'Selected Information' contained in the responsible lending section of the International Personal Finance plc Annual Report and Financial Statements for the year ended 31 December 2009.

The Selected Information for the year ended 31 December 2009 subject to limited assurance is presented in the margin on pages 31 to 35 and marked with▲; it consists of the following:

- customer numbers;
- customer retention;
- agent numbers;
- agent retention;
- credit exceptions; and
- four selected response statistics from the Usage and Attitude Customer Survey.

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 fairly stated, 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 2009, 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 or this report save where terms are expressly agreed and with our prior consent in writing.

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' ('ISAE3000') 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 Usage and Attitude Survey results rely on information provided by a third party survey company drawn from a customer interview programme conducted by a separate organisation. Our assurance work has not included an examination of the interview exercises or the information provided by the customers to the interviewing organisation.

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 2009, the Selected Information has not been fairly stated, in all material respects, in accordance with the Company's Basis of Preparation.

PricewaterhouseCoopers LLP,
Chartered Accountants,
Leeds
3 March 2010

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

We have audited the Group and Parent Company financial statements of International Personal Finance plc for the year ended 31 December 2009 which comprise the consolidated income statement, statements of comprehensive income, balance sheets, statements of changes in shareholders' 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 directors' responsibilities statement set out on page 68, 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 sections 495 to 497 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 2009 and of the Group's profit and 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 pages 64-65 with respect to internal control and risk management systems and about share capital structures on page 67 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 45, 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

3 March 2010

Consolidated income statement

for the year ended 31 December

Group	Notes	**2009** **£m**	2008 £m
Revenue*	1	**550.2**	557.1
Impairment	1	**(164.3)**	(127.2)
Revenue less impairment		**385.9**	429.9
Finance costs	2	**(30.9)**	(29.1)
Other operating costs		**(86.0)**	(111.8)
Administrative expenses		**(207.3)**	(212.7)
Total costs		**(324.2)**	(353.6)
Profit before taxation – continuing operations	1, 3	**61.7**	76.3
Tax expense – UK		**(3.8)**	(1.3)
– overseas		**(12.3)**	(19.9)
Total tax expense	5	**(16.1)**	(21.2)
Profit after taxation – continuing operations		**45.6**	55.1
Loss after taxation – discontinued operations	10	**(12.8)**	(4.5)
Profit after taxation attributable to equity shareholders		**32.8**	50.6

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

Group	Notes	**2009** **pence**	2008 pence
Earnings per share – continuing operations			
Basic	6	**17.78**	21.48
Diluted	6	**17.67**	21.45

Group	Notes	**2009** **pence**	2008 pence
Earnings per share – total			
Basic	6	**12.78**	19.73
Diluted	6	**12.70**	19.70

Group and Company	Notes	**2009** **pence**	2008 pence
Dividend per share			
Interim dividend	7	**2.30**	2.30
Final proposed dividend	7	**3.40**	3.40
		5.70	5.70

Group and Company	Notes	**2009** **£m**	2008 £m
Dividends paid			
Interim dividend of 2.30 pence per share (2008: 2.30 pence per share)	7	**5.9**	5.9
Final dividend of 3.40 pence per share (2008: 2.85 pence per share)	7	**8.6**	7.3
		14.5	13.2

The accounting policies and notes 1 to 30 are an integral part of these consolidated financial statements.

Statements of comprehensive income

for the year ended 31 December

	Note	Group **2009** **£m**	Group 2008 £m	Company **2009** **£m**	Company 2008 £m
Profit / (loss) after taxation attributable to equity shareholders		**32.8**	50.6	**(7.0)**	(9.7)
Other comprehensive income					
Exchange (losses) / gains on foreign currency translations		**(16.2)**	30.2	**–**	–
Net fair value gains / (losses) – cash flow hedges		**1.5**	(8.9)	**–**	0.2
Actuarial losses on retirement benefit obligation	24	**(5.9)**	(3.3)	**(1.3)**	(0.7)
Tax credit on items taken directly to equity		**1.3**	3.4	**0.4**	0.1
Other comprehensive (expense) / income net of taxation		**(19.3)**	21.4	**(0.9)**	(0.4)
Total comprehensive income / (expense) for the year attributable to equity shareholders		**13.5**	72.0	**(7.9)**	(10.1)

The accounting policies and notes 1 to 30 are an integral part of these consolidated financial statements.

Balance sheets

as at 31 December

		Group		Company	
	Notes	2009 £m	2008 £m	2009 £m	2008 £m
Assets					
Non-current assets					
Intangible assets	11	11.4	17.5	–	–
Investment in subsidiaries	12	–	–	666.2	665.1
Property, plant and equipment	13	39.5	52.4	–	–
Deferred tax assets	14	46.5	37.5	1.0	0.4
		97.4	107.4	667.2	665.5
Current assets					
Amounts receivable from customers:					
– due within one year		514.9	552.2	–	–
– due in more than one year		10.7	22.2	–	–
	15	525.6	574.4	–	–
Derivative financial instruments	20	–	1.7	2.6	6.0
Cash and cash equivalents	16	31.2	62.2	0.5	0.7
Current tax asset		–	–	0.4	–
Trade and other receivables	17	16.3	19.2	115.8	125.5
		573.1	657.5	119.3	132.2
Total assets		670.5	764.9	786.5	797.7
Liabilities					
Current liabilities					
Bank borrowings	19	(111.6)	(1.2)	(39.2)	–
Derivative financial instruments	20	(7.9)	(14.4)	(2.3)	(9.7)
Trade and other payables	18	(47.1)	(53.4)	(71.9)	(104.5)
Current tax liabilities		(15.6)	(2.5)	–	–
		(182.2)	(71.5)	(113.4)	(114.2)
Non-current liabilities					
Retirement benefit obligation	24	(7.5)	(1.5)	(1.6)	(0.3)
Bank borrowings	19	(221.0)	(433.1)	(62.4)	(53.6)
		(228.5)	(434.6)	(64.0)	(53.9)
Total liabilities		(410.7)	(506.1)	(177.4)	(168.1)
Net assets		259.8	258.8	609.1	629.6
Shareholders' equity					
Called-up share capital	26	25.7	25.7	25.7	25.7
Other reserve		(22.5)	(22.5)	226.3	226.3
Foreign exchange reserve		41.5	57.7	–	–
Hedging reserve		(5.0)	(6.1)	0.1	0.1
Shares held by employee trust		(5.7)	(5.7)	(5.7)	(5.7)
Retained earnings		225.8	209.7	362.7	383.2
Total equity		259.8	258.8	609.1	629.6

The accounting policies and notes 1 to 30 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 shareholders' equity and cash flow statements, the accounting policies and notes 1 to 30 were approved by the board of directors on 3 March 2010 and were signed on its behalf by:

John Harnett
Chief Executive Officer

David Broadbent
Finance Director

Statements of changes in shareholders' equity

Group	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 2008	25.7	(22.5)	27.5	0.3	–	172.6	203.6
Comprehensive income:							
Profit after taxation for the year	–	–	–	–	–	50.6	50.6
Other comprehensive income:							
Exchange gains on foreign currency translation	–	–	30.2	–	–	–	30.2
Net fair value losses – cash flow hedges	–	–	–	(8.9)	–	–	(8.9)
Actuarial losses on retirement benefit asset / obligation	–	–	–	–	–	(3.3)	(3.3)
Tax credit on items taken to equity	–	–	–	2.5	–	0.9	3.4
Total other comprehensive income / (expense)	–	–	30.2	(6.4)	–	(2.4)	21.4
Total comprehensive income / (expense) for the year	–	–	30.2	(6.4)	–	48.2	72.0
Transactions with owners:							
Purchase of shares by employee trust	–	–	–	–	(5.7)	–	(5.7)
Share-based payment adjustment to reserves	–	–	–	–	–	2.1	2.1
Dividends paid to Company shareholders	–	–	–	–	–	(13.2)	(13.2)
At 31 December 2008	25.7	(22.5)	57.7	(6.1)	(5.7)	209.7	258.8
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**

Statements of changes in shareholders' equity continued

Company	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 2008	25.7	226.3	–	–	404.5	656.5
Comprehensive income:						
Loss after taxation for the year	–	–	–	–	(9.7)	(9.7)
Other comprehensive income:						
Net fair value gains – cash flow hedges	–	–	0.2	–	–	0.2
Actuarial losses on retirement benefit asset / obligation	–	–	–	–	(0.7)	(0.7)
Tax (charge) / credit on items taken to equity	–	–	(0.1)	–	0.2	0.1
Total other comprehensive income / (expense)	–	–	0.1	–	(0.5)	(0.4)
Total comprehensive income / (expense) for the year	–	–	0.1	–	(10.2)	(10.1)
Transactions with owners:						
Purchase of shares by employee trust	–	–	–	(5.7)	–	(5.7)
Share-based payment adjustment to reserves	–	–	–	–	2.1	2.1
Dividends paid to Company shareholders	–	–	–	–	(13.2)	(13.2)
At 31 December 2008	25.7	226.3	0.1	(5.7)	383.2	629.6
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**

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 £7.1m (2008: loss of £9.7m).

The accounting policies and notes 1 to 30 are an integral part of these consolidated financial statements.

Cash flow statements

for the year ended 31 December

		Group		Company	
	Notes	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Cash flows from operating activities					
Continuing operations					
Cash generated from / (used in) operations	27	**122.1**	70.4	**(28.2)**	15.1
Established businesses		**155.7**	105.5	**(28.2)**	15.1
Start-up businesses		**(33.6)**	(35.1)	**–**	–
		122.1	70.4	**(28.2)**	15.1
Finance costs paid		**(32.6)**	(25.6)	**(6.3)**	(8.1)
Finance income received		**–**	–	**3.9**	3.6
Income tax paid		**(14.6)**	(23.9)	**(3.1)**	(3.9)
Discontinued operations		**(8.6)**	(5.1)	**–**	–
Net cash generated from / (used in) operating activities		**66.3**	15.8	**(33.7)**	6.7
Cash flows from investing activities					
Continuing operations					
Purchases of property, plant and equipment	13	**(7.9)**	(20.5)	**–**	–
Proceeds from sale of property, plant and equipment		**2.9**	3.6	**–**	–
Purchases of intangible assets	11	**(1.9)**	(3.2)	**–**	–
Discontinued operations		**1.0**	(1.0)	**–**	–
Net cash used in investing activities		**(5.9)**	(21.1)	**–**	–
Net cash from operating and investing activities					
Established businesses		**109.0**	45.9	**(33.7)**	6.7
Start-up businesses		**(41.0)**	(45.1)	**–**	–
Discontinued operations		**(7.6)**	(6.1)	**–**	–
		60.4	(5.3)	**(33.7)**	6.7
Cash flows from financing activities					
Continuing operations					
(Repayment of) / proceeds from external bank borrowings		**(72.6)**	(9.1)	**48.0**	6.5
Dividends paid to Company shareholders	7	**(14.5)**	(13.2)	**(14.5)**	(13.2)
Purchase of shares by employee trust		**–**	(5.7)	**–**	(5.7)
Net cash (used in) / generated from financing activities		**(87.1)**	(28.0)	**33.5**	(12.4)
Net decrease in cash and cash equivalents		**(26.7)**	(33.3)	**(0.2)**	(5.7)
Cash and cash equivalents at beginning of year		**62.2**	88.8	**0.7**	6.4
Exchange (losses) / gains on cash and cash equivalents		**(4.3)**	6.7	**–**	–
Cash and cash equivalents at end of year	16	**31.2**	62.2	**0.5**	0.7
Cash and cash equivalents at end of year comprise:					
Cash at bank and in hand		**31.2**	57.0	**0.5**	0.7
Short-term deposits		**–**	5.2	**–**	–
	16	**31.2**	62.2	**0.5**	0.7

Certain companies within the Group are required to keep certain cash and short-term deposits strictly segregated from the rest of the Group and these amounts are therefore not available to repay Group borrowings. At 31 December 2009, such cash and short-term deposits held by these companies amounted to £nil (2008: £8.1m).

The accounting policies and notes 1 to 30 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'), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The following standards have been adopted as of 1 January 2009 with no significant impact:

IAS 1 (revised) 'Presentation of financial statements' – the revised standard brings new disclosure requirements regarding 'non-owner changes in equity' and 'owner changes in equity', which are now required to be shown separately. Under this revised guidance the Group has elected to continue to present two performance statements: an income statement and a statement of comprehensive income (previously the 'statement of recognised income and expense'). These financial statements have been prepared under the revised disclosure requirements.

IFRS 8 'Operating segments' – IFRS 8 replaces IAS 14 'Segment reporting'. IFRS 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in a change to reported segments, which remain as Central Europe, Mexico and Romania.

IFRS 7 (amendment) 'Financial instruments: Disclosures' – the amendment requires enhanced disclosures about fair value measurement and liquidity risk.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but do not have any impact on the Group:

IFRIC 13 'Customer loyalty programmes'

IFRIC 15 'Agreements for the construction of real estate'

IFRIC 16 'Hedges of a net investment in a foreign operation'

IAS 39 (amendment) 'Financial instruments: Recognition and measurement'

IFRS 2 (amendment) 'Share-based payments – vesting conditions and cancellations'

IAS 23 (revised) 'Borrowing costs'

IAS 32 and IAS 1 (amendment) 'Puttable financial instruments and obligations arising on liquidation'

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

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

IFRS 3 (revised) 'Business combinations'

IAS 38 (amendment) 'Intangible assets'

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

IAS 1 (amendment) 'Presentation of financial statements'

IAS 27 (revised) 'Consolidated and separate financial statements'

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

The standards and interpretations listed above are not expected to have a material impact on the financial statements.

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 included in the consolidated financial statements is included within note 12.

Finance costs

Finance costs comprise the interest on external borrowings and are recognised on an effective interest rate ('EIR') basis.

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.

Operating costs

Operating costs include agent commission, marketing costs, foreign exchange gains and losses and gains or losses on derivative contracts taken to the income statement. 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 and short-term deposits with original maturities of three months or less. The short-term deposits are held principally for the purpose of meeting intra-Group arrangements. 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 equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement as part of operating 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.

Intangible assets

Intangible assets comprise computer software and banking licences. 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.

Banking licences are not subject to amortisation as they are deemed to have an indefinite useful life. They are tested for impairment 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.

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 equity 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 equity. 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 / 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 / credits are allocated to administrative expenses.

The asset / 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 asset / 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 regularly reviewed 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 £26.3m higher / lower (2008: £28.7m).

Retirement benefit asset / obligation

A number of judgements and estimates are made in assessing the amount of the retirement benefit asset / obligation at each balance sheet date. 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 24.

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 **2009** **£m**	Revenue 2008 £m	Impairment **2009** **£m**	Impairment 2008 £m	Profit before taxation **2009** **£m**	Profit before taxation 2008 £m
Central Europe	**439.6**	493.2	**123.5**	106.0	**76.5**	106.0
UK – central costs*	**–**	–	**–**	–	**(12.7)**	(13.2)
Established businesses	**439.6**	493.2	**123.5**	106.0	**63.8**	92.8
Mexico	**74.8**	48.4	**27.7**	17.2	**0.3**	(8.7)
Romania	**35.8**	15.5	**13.1**	4.0	**(2.4)**	(7.8)
Total – continuing operations	**550.2**	557.1	**164.3**	127.2	**61.7**	76.3
Discontinued operations	**–**	–	**–**	–	**(10.7)**	(6.0)
Total	**550.2**	557.1	**164.3**	127.2	**51.0**	70.3

Group	Segment assets **2009** **£m**	Segment assets 2008 £m	Segment liabilities **2009** **£m**	Segment liabilities 2008 £m
Central Europe	**518.1**	602.4	**259.4**	398.1
Mexico	**76.2**	52.1	**37.0**	46.2
Romania	**48.5**	36.3	**10.9**	8.0
UK	**27.7**	68.8	**103.4**	52.2
Total – continuing operations	**670.5**	759.6	**410.7**	504.5
Discontinued operations	**–**	5.3	**–**	1.6
Total	**670.5**	764.9	**410.7**	506.1

Group	Capital expenditure **2009** **£m**	Capital expenditure 2008 £m	Depreciation **2009** **£m**	Depreciation 2008 £m
Central Europe	**2.8**	15.6	**9.2**	8.9
Mexico	**0.8**	0.8	**1.1**	1.3
Romania	**0.9**	2.0	**1.0**	0.8
UK	**3.4**	2.1	**2.1**	2.3
Total – continuing operations	**7.9**	20.5	**13.4**	13.3
Discontinued operations	**–**	1.0	**–**	0.1
Total	**7.9**	21.5	**13.4**	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 £550.2m (2008: £557.1m) 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 £19.6m (2008: £24.6m), and the total of non-current assets located in other countries is £31.3m (2008: £45.3m).

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

Expenditure on intangible assets of £1.9m (2008: £3.2m) and amortisation of £5.0m (2008: £4.4m) all relates to the UK.

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).

2. Finance costs

Group	2009 £m	2008 £m
Interest payable on bank borrowings – continuing operations	**30.9**	29.1

3. Profit before taxation

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

Group	2009 £m	2008 £m
Depreciation of property, plant and equipment (note 13)	**13.4**	13.4
Profit on disposal of property, plant and equipment	**(0.3)**	(0.1)
Amortisation of intangible assets (note 11)	**5.0**	4.4
Operating lease rentals:		
– property	**13.0**	12.9
– equipment	**0.7**	0.7
Share-based payment charge (note 25)	**2.0**	2.1
Defined benefit pension scheme charge (note 24)	**0.6**	0.3

4. Auditors' remuneration

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

Group	2009 £m	2008 £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	**0.2**	0.3

5. Tax expense

Group	2009 £m	2008 £m
Total current tax	**29.1**	22.0
Total deferred tax (note 14)	**(13.0)**	(0.8)
Tax expense	**16.1**	21.2

Group	2009 £m	2008 £m
Tax credit on items taken directly to equity		
Deferred tax charge / (credit) on net fair value gains – cash flow hedges	**0.4**	(2.5)
Deferred tax credit on actuarial losses on retirement benefit obligation	**(1.7)**	(0.9)
	(1.3)	(3.4)

5. Tax expense continued

The rate of tax expense on the profit before taxation for the year ended 31 December 2009 is lower than (2008: lower than) the standard rate of corporation tax in the UK of 28% (2008: 28.5%). The differences are explained as follows:

Group	**2009** **£m**	2008 £m
Profit before taxation	**61.7**	76.3
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 28% (2008: 28.5%)	**17.3**	21.7
Effects of:		
– adjustment in respect of prior years	**(1.6)**	0.8
– adjustment in respect of foreign tax rates	**(6.7)**	(8.7)
– expenses not deductible for tax purposes	**6.2**	4.8
– overseas taxable dividends	**0.9**	2.6
Total tax expense	**16.1**	21.2

6. Earnings per share

Basic earnings per share ('EPS') from continuing operations is calculated by dividing the earnings attributable to shareholders of £45.6m (2008: £55.1m) by the weighted average number of shares in issue during the period of 256.5 million (2008: 256.5 million) which has been adjusted to exclude the weighted average number of shares held by the employee trust.

Basic earnings per share ('EPS') including discontinued operations is calculated by dividing the earnings attributable to shareholders of £32.8m (2008: £50.6m) by the weighted average number of shares in issue during the period of 256.5 million (2008: 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	**2009** **m**	2008 m
Used in basic EPS calculation	**256.5**	256.5
Dilutive effect of awards	**1.6**	0.4
Used in diluted EPS calculation	**258.1**	256.9

Basic and diluted EPS are presented below:

Group	**2009** **pence**	2008 pence
Basic EPS – continuing operations	**17.78**	21.48
Dilutive effect of awards	**(0.11)**	(0.03)
Diluted EPS – continuing operations	**17.67**	21.45

EPS – including discontinued operations:

Group	**2009** **pence**	2008 pence
Basic EPS	**12.78**	19.73
Dilutive effect of awards	**(0.08)**	(0.03)
Diluted EPS	**12.70**	19.70

7. Dividends

Group and Company	2009 £m	2008 £m
Interim dividend of 2.30 pence per share (2008: 2.30 pence per share)	**5.9**	5.9
Final 2008 dividend of 3.40 pence per share (2008: final 2007 dividend 2.85 pence per share)	**8.6**	7.3
	14.5	13.2

The directors are recommending a final dividend in respect of the financial year ended 31 December 2009 of 3.40 pence per share which will amount to a full year dividend payment of £14.5m. If approved by the shareholders at the annual general meeting ('AGM'), this dividend will be paid on 21 May 2010 to shareholders who are on the register of members at 16 April 2010. This dividend is not reflected as a liability in the balance sheet as at 31 December 2009 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.

	2009 £m	2008 £m
Short-term employee benefits	**4.1**	4.9
Post-employment benefits	**0.3**	0.3
	4.4	5.2

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); and (ii) Group contributions into personal pension arrangements.

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	2009 Number	2008 Number
Full-time*	**5,640**	5,640
Part-time**	**3,811**	4,589
	9,451	10,229

*Includes 274 agents in Hungary (2008: 207).
**Includes 2,983 agents in Hungary (2008: 3,954).

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	2009 Number	2008 Number
Operations	**5,960**	6,869
Administration	**1,029**	1,026
Head Office and Security	**2,462**	2,334
	9,451	10,229

9. Employee information continued

Group employment costs – all employees (including directors):

Group	2009 £m	2008 £m
Gross wages and salaries	**99.2**	102.7
Social security costs	**21.8**	24.9
Pension charge – defined benefit schemes (note 24)	**0.6**	0.3
Pension charge – defined contribution schemes	**0.5**	0.5
Share-based payment charge	**2.0**	2.1
Total	**124.1**	130.5

10. 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 and has therefore been classified as a discontinued operation. Total costs of £12.8m are included in the income statement in respect of Russia for the year ended 31 December 2009. These costs can be analysed as follows:

	2009 £m	2008 £m
Trading losses	**3.0**	6.0
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**	6.0
Taxation charge / (credit)	**2.1**	(1.5)
Loss – discontinued operations	**12.8**	4.5

11. Intangible assets

			2009			2008
Group	Banking licence £m	Computer software £m	Total £m	Banking licence £m	Computer software £m	Total £m
Net book amount						
At 1 January	**3.0**	**14.5**	**17.5**	3.0	15.7	18.7
Additions	**–**	**1.9**	**1.9**	–	3.2	3.2
Write-off	**(3.0)**	**–**	**(3.0)**	–	–	–
Amortisation	**–**	**(5.0)**	**(5.0)**	–	(4.4)	(4.4)
At 31 December	**–**	**11.4**	**11.4**	3.0	14.5	17.5
Analysed as:						
– cost	**–**	**24.2**	**24.2**	3.0	22.3	25.3
– amortisation	**–**	**(12.8)**	**(12.8)**	–	(7.8)	(7.8)
At 31 December	**–**	**11.4**	**11.4**	3.0	14.5	17.5

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

The Company has no intangible assets.

12. Investment in subsidiaries

Company	2009 £m	2008 £m
Investment in subsidiary	**663.6**	663.6
Share-based payment adjustment	**2.6**	1.5
	666.2	665.1

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. A further £2.6m (2008: £1.5m) 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 all 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
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
OOO IPF Bank*	Russia	Home credit

*In voluntary liquidation.

13. Property, plant and equipment

Equipment and vehicles, fixtures and fittings

Group	2009 £m	2008 £m
Cost		
At 1 January	**92.1**	66.6
Exchange adjustments	**(5.9)**	12.4
Additions	**7.9**	21.5
Disposals	**(7.0)**	(8.4)
At 31 December	**87.1**	92.1
Depreciation		
At 1 January	**39.7**	25.8
Exchange adjustments	**(2.1)**	5.4
Charge to the income statement	**13.4**	13.4
Disposals	**(3.4)**	(4.9)
At 31 December	**47.6**	39.7
Net book value at 31 December	**39.5**	52.4

There is no difference between the carrying values stated above and the amounts stated on a historical cost basis.

The Company has no property, plant and equipment.

14. 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	
	2009 **£m**	2008 £m	**2009** **£m**	2008 £m
At 1 January	**37.5**	27.8	**0.4**	(0.1)
Exchange differences	**(3.8)**	4.0	**–**	–
Credit to the income statement*	**11.5**	2.3	**0.2**	0.4
Tax credit on items taken directly to equity	**1.3**	3.4	**0.4**	0.1
At 31 December	**46.5**	37.5	**1.0**	0.4

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 2009	**2.8**	**0.5**	**34.2**	**37.5**	**0.1**	**0.3**	**0.4**
Exchange differences	**(0.4)**	**–**	**(3.4)**	**(3.8)**	**–**	**–**	**–**
(Charge) / credit to the income statement*	**(0.1)**	**0.1**	**11.5**	**11.5**	**–**	**0.2**	**0.2**
Tax credit on items taken directly to equity	**–**	**1.7**	**(0.4)**	**1.3**	**0.4**	**–**	**0.4**
At 31 December 2009	**2.3**	**2.3**	**41.9**	**46.5**	**0.5**	**0.5**	**1.0**

*From continuing and discontinued operations.

Deferred tax assets have been recognised in respect of all tax losses and other temporary timing differences 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.

15. Amounts receivable from customers

Group	2009 £m	2008 £m
Amounts receivable from customers comprise:		
– amounts due within one year	**514.9**	552.2
– amounts due in more than one year	**10.7**	22.2
	525.6	574.4

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	2009 £m	2008 £m
Polish zloty	**232.3**	270.5
Czech crown	**97.8**	100.8
Euro (Slovakia)	**32.6**	36.9
Hungarian forint	**63.6**	105.4
Central European currencies	**426.3**	513.6
Mexican peso	**60.7**	38.1
Romanian leu	**38.6**	22.7
	525.6	574.4

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows receivable discounted at the average effective interest rate ('EIR') of 126% (2008: 120%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 5.1 months (2008: 5.3 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 £335.8m (2008: £328.8m).

The Company has no amounts receivable from customers.

16. Cash and cash equivalents

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Cash at bank and in hand	**31.2**	57.0	**0.5**	0.7
Short-term deposits	**–**	5.2	**–**	–
Total	**31.2**	62.2	**0.5**	0.7

At 31 December 2009 £nil (2008: £5.1m) of the short-term deposits and £nil (2008: £3.0m) of the cash at bank and in hand are held by a company in the Group that is separately regulated.

In 2008, the average period to maturity of the short-term deposits was one month, and the weighted average fixed interest rate on cash and cash equivalents was 2%.

16. Cash and cash equivalents continued

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

	Group		Company	
	2009 **£m**	2008 £m	**2009** **£m**	2008 £m
Sterling	**0.2**	8.2	**–**	0.1
Polish zloty	**8.9**	20.0	**0.3**	–
Czech crown	**4.5**	8.4	**0.1**	0.1
Euro (Slovakia)	**1.9**	2.7	**–**	–
Hungarian forint	**7.9**	6.8	**–**	–
Mexican peso	**2.5**	3.4	**–**	–
Romanian leu	**4.8**	10.1	**0.1**	0.5
Russian rouble	**0.5**	2.6	**–**	–
Total	**31.2**	62.2	**0.5**	0.7

17. Other receivables

	Group		Company	
	2009 **£m**	2008 £m	**2009** **£m**	2008 £m
Other receivables	**9.4**	4.7	**0.8**	0.5
Prepayments and accrued income	**6.9**	14.5	**0.3**	1.1
Amounts due from Group undertakings	**–**	–	**114.7**	123.9
Total	**16.3**	19.2	**115.8**	125.5

The fair value of other receivables at 31 December 2009 equates to their book value (2008: fair value equated to book value). No balance within other receivables is impaired.

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

18. Trade and other payables

	Group		Company	
	2009 **£m**	2008 £m	**2009** **£m**	2008 £m
Trade payables	**0.8**	2.6	**0.1**	0.9
Other payables including taxation and social security	**20.2**	15.6	**–**	–
Accruals	**26.1**	35.2	**1.2**	2.7
Amounts due to Group undertakings	**–**	–	**70.6**	100.9
Total	**47.1**	53.4	**71.9**	104.5

The fair value of trade and other payables at 31 December 2009 equates to their book value (2008: fair value equated to book value).

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

19. Borrowing facilities and borrowings

External bank borrowing facilities principally comprise arrangements with banks for committed revolving loan facilities and overdrafts in a number of currencies for periods of up to two years and uncommitted overdraft facilities which are repayable on demand. At 31 December 2009, borrowings under these facilities amounted to £332.6m (2008: £434.3m). All borrowings are unsecured.

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

	Group		Company	
	2009 **£m**	2008 £m	**2009** **£m**	2008 £m
Borrowing facilities available				
Repayable:				
– on demand	**8.1**	5.0	**5.0**	5.0
– in less than one year	**180.3**	33.2	**104.7**	–
– between one and two years	**409.9**	187.2	**214.5**	78.2
– between two and five years	**–**	438.4	**–**	142.9
Total	**598.3**	663.8	**324.2**	226.1

	Group		Company	
	2009 **£m**	2008 £m	**2009** **£m**	2008 £m
Borrowings				
Repayable:				
– in less than one year	**111.6**	1.2	**39.2**	–
– between one and two years	**221.0**	134.9	**62.4**	25.9
– between two and five years	**–**	298.2	**–**	27.7
Total	**332.6**	434.3	**101.6**	53.6

The average period to maturity of the Group's committed external bank facilities was 1.4 years (2008: 2.3 years).

The currency exposure on external bank borrowings is as follows:

	Group		Company	
	2009 **£m**	2008 £m	**2009** **£m**	2008 £m
Sterling	**70.0**	29.0	**70.0**	29.0
Polish zloty	**107.8**	213.9	**19.3**	20.6
Czech crown	**38.3**	55.9	**2.8**	3.0
Euro (Slovakia)	**27.5**	37.0	**–**	–
Hungarian forint	**54.4**	52.6	**–**	–
Mexican peso	**25.1**	39.8	**–**	–
Romanian leu	**9.5**	6.1	**9.5**	1.0
Total	**332.6**	434.3	**101.6**	53.6

All of the external bank borrowings held by the Group have floating interest rates; however, as discussed in note 20 the Group's policy is to fix the interest on a large proportion of borrowings using derivative contracts.

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

	Group		Company	
	2009 **£m**	2008 £m	**2009** **£m**	2008 £m
Expiring within one year	**76.8**	37.0	**70.5**	5.0
Expiring within one to two years	**188.9**	52.3	**152.1**	52.3
Expiring in more than two years	**–**	140.2	**–**	115.2
Total	**265.7**	229.5	**222.6**	172.5

20. Derivative financial instruments

Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This 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 following table presents the Group's derivative assets and liabilities that are measured at fair value at 31 December 2009. The fair value of other Group assets and liabilities are included in note 23. All of the Group's financial instruments fall into hierarchy level 1.

	Group		Company	
	2009 **£m**	2008 £m	**2009** **£m**	2008 £m
Assets				
Interest rate swaps	**–**	0.9	**2.5**	5.4
Foreign currency contracts	**–**	0.8	**0.1**	0.6
Total	**–**	1.7	**2.6**	6.0

	Group		Company	
	2009 **£m**	2008 £m	**2009** **£m**	2008 £m
Liabilities				
Interest rate swaps	**7.3**	9.8	**2.3**	5.1
Foreign currency contracts	**0.6**	4.6	**–**	4.6
Total	**7.9**	14.4	**2.3**	9.7

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.

The Group uses interest rate swaps in order to fix the interest payable on a large proportion of its borrowings and foreign currency contracts to hedge against specified future foreign currency cash flows. In addition, 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.

Cash flow hedges

The Group uses interest rate swaps ('cash flow hedges') to hedge those interest cash flows that are expected to occur within four years of the balance sheet date and foreign currency contracts ('cash flow hedges') to hedge those foreign currency cash flows that are expected 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 £1.5m has been credited to equity for the Group in the period in respect of cash flow hedges (2008: charge of £8.9m), Company: £nil (2008: credit of £0.2m).

Interest rate swaps

The total notional principal of outstanding interest rate swaps that the Group is committed to is £382.5m (2008: £582.3m). The total notional principal of outstanding interest rate swaps that the Company is committed to is £382.1m (2008: £482.8m). These interest rate swaps cover a proportion of both current borrowings and forecast future borrowings (which includes rollovers of current borrowings).

The majority of the interest rate swaps 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 £1.3m (2008: £nil) 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.

20. Derivative financial instruments continued

The weighted average interest rate and period to maturity of the Group interest rate swaps was as follows:

			2009			2008
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
Polish zloty	**6.3**	**5.6-6.9**	**1.1**	6.2	5.5-7.0	1.7
Czech crown	**3.2**	**2.4-4.7**	**0.8**	4.0	3.7-4.7	0.9
Slovak crown*	**–**	**–**	**–**	4.3	3.7-4.5	1.2
Hungarian forint	**8.4**	**6.8-11.2**	**0.8**	7.8	6.8-11.3	1.3
Mexican peso	**9.8**	**8.3-11.7**	**1.5**	9.5	8.2-11.7	1.9
Euro (Slovakia)	**4.1**	**3.5-4.5**	**1.2**	3.9	3.5-4.5	2.7
Romanian leu	**10.4**	**9.8-11.1**	**0.9**	10.4	9.8-11.1	1.9

The weighted average interest rate and period to maturity of the Company interest rate swaps was as follows:

			2009			2008
Company	**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
Polish zloty	**6.6**	**6.2-7.0**	**1.4**	6.7	6.2-7.1	2.1
Czech crown	**3.5**	**2.5-4.1**	**0.9**	4.0	3.8-4.3	0.7
Slovak crown*	**–**	**–**	**–**	4.2	3.7-4.7	1.2
Hungarian forint	**10.7**	**9.8-11.3**	**0.5**	10.7	9.8-11.3	1.5
Euro (Slovakia)	**4.0**	**3.5-4.7**	**1.4**	4.0	3.5-4.5	2.7
Romanian leu	**10.5**	**9.8-11.3**	**0.9**	10.5	9.8-11.3	1.9

*The Slovak crown denominated swaps which were outstanding at 31 December 2008 were converted into Euro denominated swaps on 1 January 2009.

The Company enters into interest rate swaps with an external bank and then enters into an equal and offsetting swap with its subsidiaries to ensure there is a hedging relationship within the relevant subsidiary company.

Foreign currency contracts

The total notional amount of outstanding foreign currency contracts that the Group is committed to at 31 December 2009 is £57.9m (2008: £47.5m). These comprise:

- foreign currency contracts to buy or sell various currencies for a total notional amount of £41.9m (2008: £16.6m). These contracts have various maturity dates up to November 2010 (2008: October 2009). 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
- one foreign currency contract to buy or sell sterling for a total notional amount of £16.0m (2008: various contracts totalling £30.9m). This contract has a maturity date of March 2010 (2008: various contracts with maturity dates up to March 2009). This contract exactly matches the underlying item and therefore the amounts charged / credited to the income statement are offset by credits / charges in respect of the underlying item.

20. Derivative financial instruments continued

The total notional amount of outstanding foreign currency contracts that the Company is committed to at 31 December 2009 is £18.6m (2008: £39.5m). These comprise:

- one foreign currency contract to buy or sell sterling for a total notional amount of £16.0m (2008: various contracts totalling £30.9m). This contract has a maturity date of March 2010 (2008: various contracts with maturity dates up to March 2009). This contract exactly matches the underlying item and therefore the amounts charged / credited to the income statement are offset by credits / charges in respect of the underlying item;
- foreign currency contracts to buy and sell various currencies for a total notional amount of £2.6m (2008: £6.6m). £1.3m of these contracts are held with external providers to buy and sell currency and £1.3m of these contracts are equal and off-setting 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;
- in 2008 there were foreign currency contracts to buy or sell various currencies for a total notional amount of £2.0m. These contracts had various maturity dates up to October 2009. These contracts were designated and were effective as cash flow hedges under IAS 39 and accordingly the fair value thereof was deferred in equity. There are no equivalent contracts at 31 December 2009.

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, investment and hedging. These policies ensure that the borrowings and investments are with high-quality counterparties; are limited to specific instruments; the exposure to any one counterparty or type of instrument is controlled; and the Group's exposure to interest rate and exchange rate movements is maintained within set limits.

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.

Amounts receivable from customers

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

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 derivative instruments such as interest rate swaps to hedge a proportion of borrowings over a certain time period, usually four years.

Interest costs are a relatively low proportion of the Group's revenue (5.6% in 2009) 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	**2009** **£m**	2008 £m
Increase in fair value of derivatives taken to equity	**4.7**	10.3
Reduction in profit before tax	**0.9**	3.0

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.

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.

21. Risks arising from financial instruments continued

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	**2009** **£m**	2008 £m
Change in profit and loss reserves	**0.1**	0.1
Change in profit before tax	**0.2**	0.2

This sensitivity analysis is based on the following assumptions:

- there is a 5% strengthening / weakening of sterling against all currencies the Group operates in (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 and the cash and cash equivalents held on deposit with banks.

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 lend 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 reviewed by management on a weekly basis by geographical segment in order to ensure that appropriate action can be taken if losses differ from management expectations.

21. Risks arising from financial instruments continued

Cash and cash equivalents

The Group only deposits cash with highly rated banks and sets strict limits in respect of the amount to be held on deposit with any one institution.

No collateral or credit enhancements are held in respect of any financial assets. The maximum exposure to credit risk is as follows:

Group	**2009** **£m**	2008 £m
Cash and cash equivalents	**31.2**	62.2
Amounts receivable from customers	**525.6**	574.4
Derivative financial instruments	**–**	1.7
Trade and other receivables	**16.3**	19.2
Total	**573.1**	657.5

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 15 and of the cash and cash equivalents in note 16. Derivative financial instruments and trade and other receivables have not been presented by geographical segment as they are not considered significant.

Cash and cash equivalents, derivative financial instruments and trade 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.

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	**2009** **£m**	2008 £m	**2009** **£m**	2008 £m
Central Europe	**130.7**	139.7	**295.6**	373.9
Mexico	**16.7**	11.9	**44.0**	26.2
Romania	**15.4**	11.2	**23.2**	11.5
	162.8	162.8	**362.8**	411.6

21. Risks arising from financial instruments continued

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, which excludes the impact of provision releases, for each geographical market is shown below:

Group	2009 %	2008 %
Central Europe	**28.1**	21.9
Mexico	**37.0**	35.5
Romania	**36.6**	25.8

The carrying value of amounts receivable from customers that would have been impaired had their terms not been renegotiated is £nil (2008: £nil).

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 aiming to have (i) a diversity of funding sources across the banks which the Group uses and across the countries in which the Group operates; (ii) a balanced maturity profile of debt finance to mitigate refinancing risk; and (iii) committed facilities in excess of the forecast borrowing requirements. At 31 December 2009, the Group's committed borrowing facilities had an average period to maturity of 1.4 years (2008: 2.3 years). As shown in note 19 total undrawn facilities as at 31 December 2009 were £265.7m (2008: £229.5m).

In note 19 a maturity analysis of the gross borrowing included in the balance sheet is presented. A maturity analysis of bank borrowings and overdrafts outstanding at the balance sheet date by contractual cash flow, including expected interest payments, is shown below:

Group	2009 £m	2008 £m
Not later than six months	**98.8**	16.0
Later than six months and not later than one year	**27.5**	18.3
Later than one year and not later than two years	**232.6**	158.6
Later than two years and not later than five years	**–**	314.3
	358.9	507.2

Company	2009 £m	2008 £m
Not later than six months	**26.2**	1.5
Later than six months and not later than one year	**16.9**	1.4
Later than one year and not later than two years	**65.6**	28.3
Later than two years and not later than five years	**–**	29.1
	108.7	60.3

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:

	2009		2008	
Group	**Outflow £m**	**Inflow £m**	Outflow £m	Inflow £m
Not later than one month	**39.3**	**38.2**	3.0	2.9
Later than one month and not later than six months	**21.6**	**19.2**	40.9	36.4
Later than six months and not later than one year	**4.5**	**2.0**	6.6	4.3
Later than one year and not later than two years	**2.6**	**–**	4.2	–
Later than two years and not later than five years	**0.7**	**–**	3.4	–
	68.7	**59.4**	58.1	43.6

	2009		2008	
Company	**Outflow £m**	**Inflow £m**	Outflow £m	Inflow £m
Not later than one month	**0.8**	**0.6**	2.1	2.0
Later than one month and not later than six months	**18.6**	**17.3**	37.7	32.4
Later than six months and not later than one year	**1.8**	**0.8**	5.5	2.2
Later than one year and not later than two years	**1.0**	**–**	5.0	–
Later than two years and not later than five years	**0.1**	**–**	2.2	–
	22.3	**18.7**	52.5	36.6

A maturity analysis of the Group's receivables and borrowing facilities as at 31 December 2009 is presented below:

Group	**Receivables £m**	**Percentage of total %**	**Borrowing facilities £m**	**Percentage of total %**
Less than one year	**514.9**	**98.0**	**188.4**	**31.5**
Later than one year	**10.7**	**2.0**	**409.9**	**68.5**
	525.6	**100.0**	**598.3**	**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.

21. Risks arising from financial instruments continued

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	**2009** **£m**	2008 £m
Receivables	**525.6**	574.4
Borrowings	**(332.6)**	(434.3)
Other net assets	**66.8**	118.7
Equity	**259.8**	258.8
Equity as % of receivables	**49.4%**	45.1%
Gearing	**1.3**	1.7

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 1.3 times (2008: 1.7 times), is well within covenant limits.

22. Analysis of financial assets and financial liabilities

Financial assets

An analysis of Group financial assets is presented below:

	2009			2008		
Group	**Loans and receivables** **£m**	**Derivatives used for hedging** **£m**	**Total** **£m**	Loans and receivables £m	Derivatives used for hedging £m	Total £m
Cash and cash equivalents	**31.2**	**–**	**31.2**	62.2	–	62.2
Amounts receivable from customers	**525.6**	**–**	**525.6**	574.4	–	574.4
Derivative financial instruments	**–**	**–**	**–**	–	1.7	1.7
Trade and other receivables	**16.3**	**–**	**16.3**	19.2	–	19.2
	573.1	**–**	**573.1**	655.8	1.7	657.5

Financial liabilities

An analysis of Group financial liabilities is presented below:

	2009			2008		
Group	**Loans and receivables** **£m**	**Derivatives used for hedging** **£m**	**Total** **£m**	Loans and receivables £m	Derivatives used for hedging £m	Total £m
Bank borrowings	**332.6**	**–**	**332.6**	434.3	–	434.3
Trade and other payables	**47.1**	**–**	**47.1**	53.4	–	53.4
Derivative financial instruments	**–**	**7.9**	**7.9**	–	14.4	14.4
Current tax liabilities	**15.6**	**–**	**15.6**	2.5	–	2.5
	395.3	**7.9**	**403.2**	490.2	14.4	504.6

23. 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	2009 Fair value £m	2009 Carrying value £m	2008 Fair value £m	2008 Carrying value £m
Financial assets				
Cash and cash equivalents	**31.2**	**31.2**	62.2	62.2
Amounts receivable from customers	**700.0**	**525.6**	800.0	574.4
Derivative financial instruments	**–**	**–**	1.7	1.7
Trade and other receivables	**16.3**	**16.3**	19.2	19.2
	747.5	**573.1**	883.1	657.5
Financial liabilities				
Bank borrowings	**332.6**	**332.6**	434.3	434.3
Trade and other payables	**47.1**	**47.1**	53.4	53.4
Derivative financial instruments	**7.9**	**7.9**	14.4	14.4
Current tax liabilities	**15.6**	**15.6**	2.5	2.5
	403.2	**403.2**	504.6	504.6

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 borrowings is deemed to be a good approximation of the fair value. 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.

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.

24. Retirement benefit obligations

Pension schemes – defined benefit

Prior to 16 July 2007, certain of the Group's employees were members of two funded defined benefit pension schemes operated by Provident Financial plc. As part of the demerger, it was agreed that the companies and employees of the new International Personal Finance plc group ('the Group') would continue to participate in the Provident Financial plc pension scheme arrangements until 31 December 2007.

On 1 January 2008, the Group set up a new funded defined benefit pension scheme for those individuals who had previously been members of the schemes operated by Provident Financial plc. As part of the demerger agreement, the liabilities relating to the past and present employees of the Group were transferred from the Provident Financial plc schemes to the new scheme together with an agreed amount of assets. The amount of assets transferred was equal to the value of liabilities on 16 July 2007 adjusted to allow for subsequent investment returns and cash flows plus £3.5m.

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. Under IAS 19 this is expected to result in a non-cash curtailment gain in 2010.

24. Retirement benefit obligations continued

Scheme assets are stated at fair value at 31 December 2009. The major assumptions used by the actuary were:

Group and Company	**2009** **%**	2008 %
Price inflation	**3.5**	2.9
Rate of increase in pensionable salaries	**5.0**	4.4
Rate of increase to pensions in payment	**3.5**	2.9
Discount rate	**5.7**	6.2
Long-term rate of return:		
– equities	**7.9**	7.1
– bonds	**5.5**	6.7
– index-linked gilts	**4.4**	3.6
– overall (weighted average)	**6.6**	6.2

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 and property 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 28 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	
	2009 **£m**	2008 £m	**2009** **£m**	2008 £m
Equities	**16.8**	14.7	**3.7**	3.2
Bonds	**6.9**	5.9	**1.6**	1.3
Index-linked gilts	**4.7**	4.0	**1.0**	0.9
Other	**2.5**	2.1	**0.5**	0.5
Total fair value of scheme assets	**30.9**	26.7	**6.8**	5.9
Present value of funded defined benefit obligations	**(38.4)**	(28.2)	**(8.4)**	(6.2)
Net obligation recognised in the balance sheet	**(7.5)**	(1.5)	**(1.6)**	(0.3)

The amounts recognised in the income statement are as follows:

	Group		Company	
	2009 **£m**	2008 £m	**2009** **£m**	2008 £m
Current service cost	**0.6**	0.6	**0.1**	0.1
Interest cost	**1.7**	1.7	**0.4**	0.4
Expected return on scheme assets	**(1.7)**	(2.0)	**(0.4)**	(0.4)
Net charge recognised in the income statement	**0.6**	0.3	**0.1**	0.1

The net charge recognised in the income statement has been included within administrative expenses.

24. Retirement benefit obligations continued

Movements in the fair value of scheme assets were as follows:

	Group		Company	
	2009 **£m**	2008 £m	**2009** **£m**	2008 £m
Fair value of scheme assets at 1 January	**26.7**	31.9	**5.9**	7.0
Expected return on scheme assets	**1.7**	2.0	**0.4**	0.4
Actuarial gains / (losses) on scheme assets	**3.2**	(6.7)	**0.7**	(1.4)
Contributions by the Group	**0.5**	0.4	**0.1**	0.1
Contributions paid by scheme participants	**0.1**	0.1	**–**	–
Net benefits paid out	**(1.3)**	(1.0)	**(0.3)**	(0.2)
Fair value of scheme assets at 31 December	**30.9**	26.7	**6.8**	5.9

Movements in the present value of the defined benefit obligation were as follows:

	Group		Company	
	2009 **£m**	2008 £m	**2009** **£m**	2008 £m
Defined benefit obligation at 1 January	**(28.2)**	(30.2)	**(6.2)**	(6.6)
Current service cost	**(0.6)**	(0.6)	**(0.1)**	(0.1)
Interest cost	**(1.7)**	(1.7)	**(0.4)**	(0.4)
Contributions paid by scheme participants	**(0.1)**	(0.1)	**–**	–
Actuarial (losses) / gains on scheme liabilities	**(9.1)**	3.4	**(2.0)**	0.7
Net benefits paid out	**1.3**	1.0	**0.3**	0.2
Defined benefit obligation at 31 December	**(38.4)**	(28.2)	**(8.4)**	(6.2)

The actual return on scheme assets compared to the expected return is as follows:

	Group		Company	
	2009 **£m**	2008 £m	**2009** **£m**	2008 £m
Expected return on scheme assets	**1.7**	2.0	**0.4**	0.4
Actuarial gains / (losses) on scheme assets	**3.2**	(6.7)	**0.7**	(1.4)
Actual return on scheme assets	**4.9**	(4.7)	**1.1**	(1.0)

Actuarial gains and losses have been recognised through the statement of comprehensive income ('SOCI') in the period in which they occur.

An analysis of the amounts recognised in the SOCI is as follows:

	Group		Company	
	2009 **£m**	2008 £m	**2009** **£m**	2008 £m
Actuarial gains / (losses) on scheme assets	**3.2**	(6.7)	**0.7**	(1.4)
Actuarial (losses) / gains on scheme liabilities	**(9.1)**	3.4	**(2.0)**	0.7
Total loss recognised in the SOCI in the year	**(5.9)**	(3.3)	**(1.3)**	(0.7)
Cumulative amount of losses recognised in the SOCI	**(11.2)**	(5.3)	**(2.4)**	(1.1)

24. Retirement benefit obligations continued

The history of experience adjustments is as follows:

	Group		Company	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Experience gains / (losses) on scheme assets:				
– amount (£m)	**3.2**	(6.7)	**0.7**	(1.4)
– percentage of scheme assets (%)	**10.4%**	(25.1)%	**10.3%**	(23.7)%
Experience gains on scheme liabilities:				
– amount (£m)	**0.7**	–	**0.2**	–
– percentage of scheme liabilities (%)	**1.8%**	–	**2.4%**	–

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 £0.3m for the year ended 31 December 2009 (2008: £0.2m). £nil of contributions were payable to the plan at the year end (2008: £nil).

In addition, an amount of £0.2m (2008: £0.3m) has been charged to the income statement in respect of contributions into personal pension arrangements for certain directors and employees.

25. Share-based payments

The Group currently operates three share schemes: The International Personal Finance plc Incentive Plan ('the Incentive Plan'), The International Personal Finance plc Performance Share Plan ('the Performance Share Plan') and The International Personal Finance plc Employee Savings-Related Share Option Scheme ('the SAYE Scheme'). 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 Incentive Plan and the Performance Share 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 £2.0m (2008: £2.1m).

The income statement charge in respect of the Exchange Scheme is equal to the fair value of the shares at the date of award (share price at date of award adjusted for dividends). All awards were equity settled. The total income statement charge in respect of these share-based payments is £nil (2008: £nil).

25. 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
Share awards outstanding	n/a	nil	54,686	564,690	1,829,832	861,574	105,140
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

No exercise price is payable in respect of awards made under the Incentive Plan, Performance Share Plan and Exchange Scheme. As IPF plc shares have only been publicly traded since the date of demerger (16 July 2007), the expected volatility is based on the three-year volatilities of comparable companies. 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. For the 2007 Performance Share Plan the maximum number of shares that will be awarded is 1,829,832 and for the 2009 Performance Share Plans the maximum number of shares that will be awarded is 966,714 assuming the 60% TSR target is met. For the Incentive Plan there is no maximum number of shares. For all the Performance Share Plan and the Incentive Plans the fair value has been calculated based on an estimate of the amount of shares likely to vest.

Further detail in respect of the Incentive Plan, Performance Share Plans, Exchange Scheme and SAYE schemes is given in the directors' remuneration report.

25. Share-based payments continued

The movements in the outstanding awards are outlined in the table below:

	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	
Group and Company	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 2008	391,590	–	–	–	–	–	1,483,799	–	–	–	–	–
Granted	–	–	296,957	1.88	–	–	809,160	–	–	–	–	–
Expired / lapsed	(26,210)	–	(8,679)	1.88	–	–	(341,830)	–	–	–	–	–
Exercised	(7,754)	–	–	–	–	–	–	–	–	–	–	–
Outstanding at 31 December 2008	357,626	–	288,278	–	–	–	1,951,129	–	–	–	–	–
Exercisable at 31 December 2008	–	–	–	–	–	–	–	–	–	–	–	–
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	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

26. Share capital

Company	**2009 £m**	2008 £m
257,217,888 shares at a nominal value of 10 pence	**25.7**	25.7

27. Reconciliation of profit after taxation to cash generated from / (used in) operations

	Group		Company	
	2009 **£m**	2008 £m	**2009** **£m**	2008 £m
Profit / (loss) after taxation from continuing operations	**45.6**	55.1	**(7.1)**	(9.7)
Adjusted for:				
– tax charge	**16.1**	21.2	**2.5**	3.5
– finance costs	**30.9**	29.1	**6.4**	8.7
– finance income	**–**	–	**(3.9)**	(4.4)
– share-based payment charge	**2.0**	2.0	**0.9**	1.1
– defined benefit pension charge (note 24)	**0.6**	0.3	**0.1**	0.1
– depreciation of property, plant and equipment (note 13)	**13.4**	13.3	**–**	–
– profit on sale of property, plant and equipment	**(0.3)**	(0.1)	**–**	–
– amortisation of intangible assets (note 11)	**5.0**	4.4	**–**	–
Changes in operating assets and liabilities:				
– amounts receivable from customers	**5.4**	(40.9)	**–**	–
– other receivables	**1.7**	(8.4)	**9.7**	(38.7)
– trade and other payables	**4.9**	(9.0)	**(32.7)**	50.9
– retirement benefit obligation	**(0.5)**	(0.4)	**(0.1)**	(0.1)
– derivative financial instruments	**(2.7)**	3.8	**(4.0)**	3.7
Cash generated from / (used in) continuing operations	**122.1**	70.4	**(28.2)**	15.1

28. Commitments

Commitments to make operating lease payments are as follows:

Group	**2009** **£m**	2008 £m
In less than one year	**9.7**	9.9
In more than one year but not later than five years	**15.9**	19.9
In more than five years	**1.8**	8.1
	27.4	37.9

Other commitments are as follows:

Group	**2009** **£m**	2008 £m
Capital expenditure commitments contracted with third parties but not provided for at 31 December	**2.9**	2.2

The Company has no commitments as at 31 December 2009 (2008: £nil).

29. 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 £274.1m (2008: £437.7m). At 31 December 2009, the fixed and floating rate borrowings under these facilities amounted to £231.0m (2008: £380.7m). 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 2009 was £nil (2008: £nil).

30. 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:

			2009			2008
Company	**Recharge of costs £m**	**Interest charge / (credit) £m**	**Outstanding balance £m**	Recharge of costs £m	Interest charge / (credit) £m	Outstanding balance £m
Central Europe	**0.9**	**1.4**	**0.2**	1.5	2.2	28.9
Mexico	**–**	**–**	**0.3**	0.4	0.1	0.3
Romania	**0.3**	**0.7**	**9.7**	0.3	1.8	4.7
Other UK companies	**0.5**	**(0.6)**	**33.9**	1.1	(2.8)	(10.9)
	1.7	**1.5**	**44.1**	3.3	1.3	23.0

Supplementary information

Shareholder information

Financial calendar

Final dividend announced	3 March 2010
Ex-dividend date for ordinary shares	14 April 2010
Record date for the final dividend	16 April 2010
Annual general meeting	12 May 2010
Payment date of the final dividend	21 May 2010
Interim management report	22 July 2010
Ex-dividend date for ordinary shares	8 September 2010
Record date for the interim dividend	10 September 2010
Payment date of the interim dividend	8 October 2010

Registrar

The Company's share registrar is Capita Registrars Limited of Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0GA (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 you access to your personal shareholding by means of your investor code (which is printed on your share certificate). Most services will require a user ID and password which will be provided on registration.

Share price

Information on our share price is available on the Company's website (www.ipfin.co.uk) and in a number of newspapers.

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).

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).

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