Half-year Financial Report for the six months ended 30 June 2017

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International Personal Finance plc
Half-year Financial Report for the six months ended 30 June 2017
This announcement contains inside information

Key highlights

- **Group - good financial and operational performance**
  - Group profit before tax of £43.0M, an increase of £10.0M including a positive FX benefit of £6.7M
  - Credit issued growth of 10%
  - Consistent credit quality management - group impairment to revenue ratio in target range at 26.4%

- **Home credit**
  - Credit issued growth of 3%
  - Strong credit issued growth and improved impairment in Mexico
  - Good operational performance in European home credit

- **IPF Digital**
  - Excellent top-line growth - credit issued increased 61% to £106.0M
  - Established markets delivered improved profitability
  - New markets growing strongly - credit issued grew by 213%

- **Robust funding and balance sheet position; dividend maintained**
  - £140M of headroom on debt facilities
  - Equity to receivables of 47.2%
  - Proposed interim dividend maintained at 4.6 pence per share

Group key statistics	H1 2016	**H1 2017**	YOY change at CER
Customers (000s)[†**]	2,477	**2,395**	(3.3%)
Credit issued (£M) [†]	506.8	**616.0**	9.9%
Revenue (£M) [†]	353.3	**400.8**	2.6%
Annualised impairment % revenue[†]	25.3%	**26.4%**	(1.1 ppts)
Annualised cost-income ratio[†]	41.6%	**43.3%**	(1.7 ppts)
PBT* (£M)	33.0	**43.0**	
EPS* (pence)	10.9	**13.6**	

[†] Excluding Slovakia, Lithuania and Bulgaria. * From continuing operations. ** Adjusted following change to treatment of very slow paying customers in our home credit businesses

Chief Executive Officer, Gerard Ryan, commented:
"I am pleased to report a good financial and operational performance in the first half with 10% growth in credit issued and an increase in profit to £43.0M. Our ongoing European home credit businesses performed in line with expectations, Mexico continued to deliver positive business momentum and IPF Digital reported excellent top-line growth together with improved profitability in its established markets. We continue to engage with the Polish Ministry of Justice concerning proposed changes to the total cost of credit regulations. While we expect the regulatory landscape in Europe to remain challenging, we continue to believe our Mexico home credit business and IPF Digital offer significant growth opportunities for the Group."

Group performance overview

We delivered a good financial and operational performance in the first half of 2017 and profit before tax increased to £43.0M. This performance was driven mainly by an increase in underlying profit of £12.0M, the largest share of which came from the stronger-than-expected outcome from the wind down of our businesses in Slovakia and Lithuania together with a solid contribution from IPF Digital's established markets. Stronger FX rates resulted in a £6.7M positive impact which was offset by additional new business investment in IPF Digital of £8.7M.

	H1 2016 reported profit £M	Underlying profit movement £M	New business costs £M	Stronger FX rates £M	**H1 2017 reported profit £M**
Home credit	45.0	6.0	-	7.3	**58.3**
Digital	(4.4)	5.5	(8.7)	(0.6)	**(8.2)**
Central costs	(7.6)	0.5	-	-	**(7.1)**
Profit before taxation from continuing operations	33.0	12.0	(8.7)	6.7	**43.0**

We delivered a 10% increase in credit issued as a result of strong growth in our Mexico home credit and IPF Digital businesses. Credit quality was managed effectively and impairment as a percentage of revenue at 26.4% remains within our target range of 25% to 30%.

Market overview

Demand for consumer credit continues to be strong in most of our markets, the competitive landscape remains intense and there is continued development of digital loan capabilities with some payday lenders extending their offerings to include instalment loans. In addition, major banks are developing online capabilities that will appeal to a younger and more technology focused audience.

Whilst lending via digital platforms continues to increase the overall scale of the market, the involvement of an agent at the customer's home allows us to gain a unique and greater understanding of their financial circumstances and propensity to repay so we are able to lend with more confidence where a remote lending business cannot.

Regulatory update

There have been no material changes to the regulatory framework since our Q1 trading update.

There is currently no significant update on the Polish Ministry of Justice's proposal to further reduce the existing cap on non-interest charges on consumer loans in Poland. We continue to engage with various Government ministries and interested parties in Poland to encourage a more positive outcome that is good for consumers and business. We will update the market with any material developments.

In Romania, as previously reported, we have seen our ability to service customer demand decrease as a result of significantly more restrictive creditworthiness assessment requirements which became effective at the start of this year. We operate within price cap environments in all our European markets, with the current exceptions of the Czech Republic and Romania. Whilst no formal proposals have been made to date, we continue to believe that caps on loan costs in some form are likely to be implemented in these markets at some point in the future and that proposals will be presented in Romania in the second half of the year.

Strategy update

Growth businesses – IPF Digital and Mexico home credit

Demand for digital loans is increasing within our target segment of consumers and our digital business delivered strong growth in the first half of the year. Our strategy is to drive increased profitability in our established digital markets of Finland and the Baltics, build on the significant digital opportunity in our new markets of Poland, Australia, Spain and Mexico, and invest in our technology platform and head office functional capabilities to support a much larger business. We achieved these objectives in the first half of 2017; we grew profit in the established digital markets by £5.6M year-on-year and our focus on brand building and customer relationship management activities supported the delivery of very strong customer and credit issued growth in our new markets. We continue to expect IPF Digital to deliver its maiden profit in 2018 as it benefits from increased scale as a result of the investments we are making.

The strategic focus of our Mexico home credit business is to leverage the growth potential in this market by expanding our geographic footprint and developing 'Negocio', our micro business channel. As previously guided we opened six branches during the first half of 2017 and this completes our expansion plan for the year. Our micro business channel is now available in around two thirds of our branches in Mexico and is growing well.

Returns businesses – European home credit

Our strategy in our European home credit businesses is to focus on offering our customers more choice in terms of product and channel whilst improving our efficiency through technology in order to optimise returns from these markets. To accelerate the execution of this strategy, we took the decision to simplify our business structure, consolidating the management of our Polish and Czech businesses into the Northern Europe region in order to focus on operational performance, cost efficiency and sharing of best practice. We also completed the sale of our home credit business in Bulgaria, thus enabling us to focus our resources on our larger home credit and rapidly-growing digital businesses. This disposal resulted in a one-off accounting charge of £5.0M which together with the operating loss of £2.7M generated in 2017 has been accounted for as a discontinued operation in accordance with IFRS 5.

Our continued emphasis on generating efficiencies in our cost base delivered a £4.9M reduction in overheads at CER (Actual: £0.9M) during the first half of the year. Modernising the business through investment in technology forms a key element of this programme and we continued to roll out our agent mobile technology which will facilitate further cost reductions from the second half of 2018.

We are leveraging the value of our well-recognised Provident brand name with a Provident digital offering in Poland where around 14,000 customers are being served through this on-line channel, an increase of over 70% since the year end. We plan to introduce this offering in the Czech Republic before the end of the year.

Performance review

Home credit

Our home credit businesses delivered profit before tax of £58.3M in the first half of 2017 which comprised £52.9M from our ongoing businesses and £5.4M from Slovakia and Lithuania which are being wound down. The increase delivered by our ongoing home credit businesses reflects a reduction in underlying profit of £4.0M before a £7.7M benefit from stronger FX rates. The underlying profit growth in Slovakia and Lithuania was £10.0M driven by a strong collections performance in these operations.

	H1 2016 reported profit £M	Underlying profit movement £M	FX rates £M	**H1 2017 reported profit £M**
Northern Europe	31.2	(7.4)	4.8	**28.6**
Southern Europe	15.7	1.2	2.1	**19.0**
Mexico	2.3	2.2	0.8	**5.3**
Ongoing home credit	49.2	(4.0)	7.7	**52.9**
Slovakia	(2.5)	6.6	(0.2)	**3.9**
Lithuania	(1.7)	3.4	(0.2)	**1.5**
Profit before taxation from continuing operations	45.0	6.0	7.3	**58.3**

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

	2016 £M	**2017 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	2,320	**2,174**	(146)	(6.3)	
Credit issued	447.5	**510.0**	62.5	14.0	3.1
Average net receivables	715.5	**813.9**	98.4	13.8	2.6
Revenue	330.3	**356.7**	26.4	8.0	(2.3)
Impairment	(97.3)	**(99.3)**	(2.0)	(2.1)	7.5
Net revenue	233.0	**257.4**	24.4	10.5	(0.1)
Finance costs	(19.3)	**(23.7)**	(4.4)	(22.8)	(11.3)
Agents' commission	(39.4)	**(42.2)**	(2.8)	(7.1)	3.0
Other costs	(125.1)	**(138.6)**	(13.5)	(10.8)	(1.9)
Profit before taxation	49.2	**52.9**	3.7	7.5	

Northern Europe

Our Northern Europe region, which comprises our home credit businesses in Poland and the Czech Republic, delivered profit before tax of £28.6M which reflects a reduction in underlying profit of £7.4M offset by a £4.8M benefit from stronger FX rates.

	2016 £M	**2017 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	920	**798**	(122)	(13.3)	
Credit issued	220.4	**248.4**	28.0	12.7	0.1
Average net receivables	388.8	**415.4**	26.6	6.8	(5.1)
Revenue	162.8	**161.5**	(1.3)	(0.8)	(11.9)
Impairment	(42.7)	**(41.4)**	1.3	3.0	14.6
Net revenue	120.1	**120.1**	-	-	(11.0)
Finance costs	(10.3)	**(12.1)**	(1.8)	(17.5)	(5.2)
Agents' commission	(17.7)	**(16.2)**	1.5	8.5	18.6
Other costs	(60.9)	**(63.2)**	(2.3)	(3.8)	6.4
Profit before taxation	31.2	**28.6**	(2.6)	(8.3)	
Poland	23.0	**22.3**	(0.7)	(3.0)	
Czech Republic	8.2	**6.3**	(1.9)	(23.2)	
Profit before taxation	31.2	**28.6**	(2.6)	(8.3)	

Credit issued growth in the first half of 2017 was flat with 4% growth in Poland and a 16% contraction in the Czech Republic. Customer numbers for the region as a whole reduced by 13% and revenue decreased by 12%. In Poland, the reduction in revenue resulted from a compression in revenue yield due to lower pricing necessitated by the introduction of the total cost of credit cap in March 2016. In the Czech Republic, the key factors impacting revenue were the contraction in the receivables book and a reduction in revenue yield as a result of our strategy of serving customers with longer-term loans.

We continued to deliver a good collections performance which together with higher profit generated by debt sales in the Czech Republic resulted in a 0.3ppt improvement in annualised impairment as a percentage of revenue to 22.7% since the 2016 year end.

Our focus on cost optimisation and efficiencies supported the delivery of a £4.3M reduction in other costs at CER (Actual: increase of £2.3M). The cost-income ratio increased by 1.3ppts year-on-year to 37.6% due to the contraction in revenue.

In the absence of any further regulatory change, we expect credit issued in the second half of 2017 to be broadly similar to the prior year and importantly, we continue to believe we can mitigate up to half of the estimated £30M gross financial impact resulting from the implementation in March 2016 of the total cost of credit legislation in Poland.

Southern Europe

Our Southern Europe region, comprising Hungary and Romania, increased profit before tax in the first half of the year to £19.0M driven by a strong performance in Hungary. This reflects underlying profit growth of £1.2M and a £2.1M positive impact of FX rates.

	2016 £M	**2017 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	586	**535**	(51)	(8.7)	
Credit issued	124.5	**130.4**	5.9	4.7	(5.0)
Average net receivables	185.9	**229.6**	43.7	23.5	11.7
Revenue	80.0	**89.2**	9.2	11.5	0.8
Impairment	(20.4)	**(22.1)**	(1.7)	(8.3)	3.5
Net revenue	59.6	**67.1**	7.5	12.6	2.3
Finance costs	(4.8)	**(5.7)**	(0.9)	(18.8)	(7.5)
Agents' commission	(10.3)	**(11.9)**	(1.6)	(15.5)	(4.4)
Other costs	(28.8)	**(30.5)**	(1.7)	(5.9)	1.9
Profit before taxation	15.7	**19.0**	3.3	21.0	

As previously reported, new creditworthiness assessments for non-banking financial institutions were introduced in Romania in January 2017 and, as expected, this legislative change negatively impacted rates of growth in Southern Europe. Credit issued for the region reduced by 5% reflecting good growth in Hungary offset by a 23% contraction in Romania.

Average net receivables increased by 12%, driven largely by the growth in credit issued in the second half of 2016. However, revenue growth was significantly lower at 1% due to the impact of our strategy to offer lower yielding longer-term loans in response to customer demand. Credit quality and our collections performance in Hungary were very good and this was offset partially by some weakness in Romania, particularly in the first quarter of the year as the new regulations were bedded in. Annualised impairment as a percentage of revenue remains at a very comfortable level of 20.5%, largely unchanged since the year end.

Our cost optimisation programme delivered a £0.6M reduction in other costs at CER (Actual: increase of £1.7M) and, as a result, the cost-income ratio improved by 2.0 ppts to 35.2% year-on-year.

Overall we expect credit issued trends for Southern Europe to be similar to the first half of 2017. We also believe it is likely that a rate cap in some form will be implemented in Romania in the near future.

Mexico

We continued to build on the business momentum achieved in Mexico in the second half of 2016 and this resulted in strong growth, improving impairment and an increase in profit to £5.3M. This reflects underlying profit growth of £2.2M and a £0.8M benefit from stronger FX rates.

	2016 £M	**2017 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	814	**841**	27	3.3	
Credit issued	102.6	**131.2**	28.6	27.9	20.1
Average net receivables	140.8	**168.9**	28.1	20.0	13.1
Revenue	87.5	**106.0**	18.5	21.1	13.9
Impairment	(34.2)	**(35.8)**	(1.6)	(4.7)	0.3
Net revenue	53.3	**70.2**	16.9	31.7	22.7
Finance costs	(4.2)	**(5.9)**	(1.7)	(40.5)	(31.1)
Agents' commission	(11.4)	**(14.1)**	(2.7)	(23.7)	(15.6)
Other costs	(35.4)	**(44.9)**	(9.5)	(26.8)	(20.1)
Profit before taxation	2.3	**5.3**	3.0	130.4	

The operational improvements implemented in 2016 together with growth flowing through from our expansion programme resulted in a 20% increase in credit issued. Average net receivables increased by 13% and revenue increased at a similar rate. We expect credit issued growth to moderate in the second half of the year as comparatives become more challenging.

In addition to delivering strong growth, we improved our collections performance and, as a result, annualised impairment as a percentage of revenue improved by 2.5 ppts from the 2016 year end to 34.0%. Our investment in business growth led to an increase in other costs of £7.5M at CER (Actual: £9.5M) and, consequently, the cost-income ratio for Mexico increased 2.7ppts year-on-year to 40.7%.

We continue to see significant growth potential in Mexico which is underpinned by our investment in new branches and continued expansion of our micro business channel. For 2017 as a whole, we expect to deliver credit issued growth of around 15% together with well-managed collections to further reduce annualised impairment as a percentage of revenue towards 32% in line with previous guidance.

Slovakia

The successful execution of the wind down of our Slovakia operation, following the introduction of new rate cap legislation in December 2015, resulted in a profit contribution of £3.9M in the first half of 2017 compared to a loss of £2.5M in the same period of 2016. Field collection activities were concluded in March and the majority of the outstanding loan portfolio has since been sold at higher-than-expected prices.

The positive performance in the first half of 2017 has improved our outlook for the full year and we now expect to report a profit of around £4M which would result in total profit during the wind-down period of around £2.4M. Of the £41.1M December 2015 receivables balance, our final net cash collections are expected to be £36M, which is £11.3M higher than the 60% portion of the portfolio funded by debt.

Lithuania

In Q4 2016 we decided to move to a fully digital business model in Lithuania and booked a provision for home credit exit costs of £3.2M. The collect out of the portfolio has been more effective than our original expectations and, as a result, we have reported a profit of £1.5M in the first half of 2017.

IPF Digital

IPF Digital represents a significant growth opportunity for the Group and is continuing to develop in line with our plans. We delivered excellent top-line growth and improved profitability in our established markets in the first half of 2017. This was offset by the expected increase in investment in our new markets and head office capabilities, and as a result we incurred a loss before tax of £8.2M.

	2016 £M	**2017 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	157	**221**	64	40.8	
Credit issued	59.3	**106.0**	46.7	78.8	61.1
Average net receivables	69.0	**138.6**	69.6	100.9	81.2
Revenue	23.0	**44.1**	21.1	91.7	72.3
Impairment	(8.0)	**(18.8)**	(10.8)	(135.0)	(108.9)
Net revenue	15.0	**25.3**	10.3	68.7	52.4
Finance costs	(1.8)	**(3.4)**	(1.6)	(88.9)	(70.0)
Other costs	(17.6)	**(30.1)**	(12.5)	(71.0)	(53.6)
Loss before taxation	(4.4)	**(8.2)**	(3.8)	(86.4)	

Demand for our digital loans and credit line offering is growing and credit issued increased faster-than expected in the first half, up 61% to £106.0M. This growth resulted in an increase in average net receivables of 81% which, in turn, drove a 72% increase in revenue. Annualised impairment as a percentage of revenue increased year-on-year by 3.1 ppts to 35.7% and reflects the increased weighting of new markets in our portfolio.

We invested an additional £8.7M in building our new markets of Poland, Spain, Australia and Mexico and strengthening our head office capabilities to deliver future growth. Nevertheless, the increase in revenue offset this investment and resulted in a modest reduction in the cost-income ratio to 73.7%.

The profitability of IPF Digital is segmented as follows:

	2016 £M	**2017 £M**	Change £M	Change %
Established markets:				
Finland and the Baltics	2.4	**8.0**	5.6	233.3
New markets:				
Poland, Spain, Australia and Mexico	(4.1)	**(12.0)**	(7.9)	(192.7)
Head office costs	(2.7)	**(4.2)**	(1.5)	(55.6)
IPF Digital	(4.4)	**(8.2)**	(3.8)	(86.4)

In the second half of 2016, we performed a review to better allocate head office costs between the individual businesses which has resulted in more of these costs being borne in the established and new market numbers with a lower residual cost in the IPF Digital head office. We have restated the comparatives to allow a comparison of trends.

Established markets

	2016 £M	**2017 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	130	**141**	11	8.5	
Credit issued	47.4	**63.7**	16.3	34.4	21.8
Average net receivables	60.8	**97.8**	37.0	60.9	45.8
Revenue	19.4	**27.9**	8.5	43.8	29.8
Impairment	(5.9)	**(5.5)**	0.4	6.8	16.7
Net revenue	13.5	**22.4**	8.9	65.9	50.3
Finance costs	(1.6)	**(2.4)**	(0.8)	(50.0)	(33.3)
Other costs	(9.5)	**(12.0)**	(2.5)	(26.3)	(13.2)
Profit before taxation	2.4	**8.0**	5.6	233.3	

Our established markets of Finland and the Baltics delivered further good growth and a strong financial performance in the first half of the year, reporting a £5.6M increase in profit before tax year-on-year to £8.0M through enhanced pricing strategies and increased penetration of our credit line product.

In these markets, we increased credit issued by 22%. Average net receivables grew by 46% which delivered a 30% increase in revenue. Credit quality is good and annualised impairment as a percentage of revenue reduced 3.4 ppts to 13.3% since the year-end. The annualised number includes the benefit of a sale of non-performing receivables in the second half of 2016 and we expect impairment as a percentage of revenue to increase to around 20% by the end of the year. The cost-income ratio improved by 6.3 ppts to 45.6% demonstrating the strong economies of scale in the digital business despite continuing to invest in generating growth and our digital capabilities.

New markets

	2016 £M	**2017 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	27	**80**	53	196.3	
Credit issued	11.9	**42.3**	30.4	255.5	213.3
Average net receivables	8.2	**40.8**	32.6	397.6	334.0
Revenue	3.6	**16.2**	12.6	350.0	295.1
Impairment	(2.1)	**(13.3)**	(11.2)	(533.3)	(454.2)
Net revenue	1.5	**2.9**	1.4	93.3	70.6
Finance costs	(0.2)	**(1.0)**	(0.8)	(400.0)	(400.0)
Other costs	(5.4)	**(13.9)**	(8.5)	(157.4)	(127.9)
Loss before taxation	(4.1)	**(12.0)**	(7.9)	(192.7)	

The strong growth delivered by IPF Digital was also driven by our new markets, particularly Poland and Spain. The new markets as a whole delivered credit issued growth of 213% to £42.3M, average net receivables growth of over 300% and revenue up by a similar rate to £16.2M.

As we would expect in these rapidly growing markets, annualised impairment as a percentage of revenue is elevated at 83.7%. We expect to see improving impairment trends in the second half of the year as these markets grow and mature. Other costs increased by 128% to £13.9M reflecting increased expenditure on brand building.

Looking ahead for IPF Digital as a whole, we expect to deliver further good progress in the second half of the year and are targeting full-year credit issued growth of around 40%. Given the growth opportunity, we have chosen to invest at a faster rate than originally targeted, particularly in Poland and Spain, and therefore we now expect our full year P&L investment to be in the range of £10M to £12M rather than the £8M to £10M previously guided. We expect to deliver a maiden profit in 2018.

Taxation

The taxation charge on profit for the first six months of 2017 has been based on an expected effective tax rate for the full year of 30%. This excludes a £0.5M tax charge relating to the disposal of our operation in Bulgaria, which is reported as a loss on discontinued operations.

As previously reported, our home credit business in Poland appealed decisions received in January 2017 from the Polish Tax Chamber (the upper tier of the Polish tax authority) with respect to its 2008 and 2009 financial years. The decisions for both years involve a transfer pricing challenge relating to an intra-group arrangement with a UK entity together with a challenge to the timing of taxation of home collection fee revenues. We strongly disagree with the interpretation of the tax authority and will defend our position robustly in court. In order to make the appeals, we paid the amounts assessed. The payment is not a reflection of our view on the merits of the case and accordingly it has been recognised as a non-current financial asset of £36M (comprising tax and associated interest) in our Group accounts. As we believe our case to be very strong, no provision has been recognised against this asset and there is no charge to the income statement as a result of this decision. The 2010 financial year is currently being audited by the tax authorities in Poland and a decision is expected in the coming months. In the event that the decision follows the same reasoning as the decisions for 2008 and 2009, which appears likely, we would pay c.£20M in order to appeal the case. All subsequent financial years remain open to future audit.

Funding and balance sheet

We have a strong funding position with a balanced debt portfolio including a range of bonds at competitive cost across a number of currencies, wholesale and retail, with varying maturities; and a range of bank facilities from a core group of banks. We have added £21.6M of new bank funding in 2017, including increased commitments in Poland and Hungary, and our first Asian funding bank. In addition the funding position has benefitted from the strong cash collection in Slovakia and Lithuania together with the sale of our Bulgarian operation. At 30 June 2017 we had total debt facilities of £824.1M (£583.3M bonds and £240.8M bank facilities) and borrowings of £684.3M with headroom on undrawn debt facilities of £139.8M. We have significant long-term funding in place, with £494.0M of bonds maturing in 2020/21. There are no bond maturities in 2017 and in 2018 £46.4M and £27.6M mature in the first and second half of the year, respectively.

Our balance sheet remains robust, with an equity to receivables capital ratio at 30 June 2017 of 47.2% against our target of around 40%.

Dividend

The Board is pleased to declare an unchanged interim dividend of 4.6 pence per share. The dividend will be paid on 6 October 2017 to shareholders on the register at the close of business on 8 September 2017. The shares will be marked ex-dividend on 7 September 2017.

Outlook

The competitive and regulatory landscape for the Group is expected to remain challenging. We await an update from the Polish Ministry of Justice on its proposed reduction to the existing non-interest pricing cap in Poland and will continue to engage with various Government ministries and interested parties to encourage a more positive solution that is good for consumers and business.

We continue to focus on delivering our strategy to optimise our European home credit operations and to invest in growing Mexico home credit and IPF Digital. In Mexico home credit, we expect to achieve further growth and well-managed collections, and we also expect to deliver further strong growth in IPF Digital together with reduced levels of impairment in our new markets.

Note

This report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The report should not be relied on by any other party or for any other purpose. The report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Percentage change figures for all performance measures, other than profit before taxation and earnings per share, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate (CER) for 2017 in order to present the underlying performance variance.

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International Personal Finance will host a live webcast of its half-year results presentation at 09:00hrs (BST) today – Wednesday 26 July 2017, which can be accessed www.ipfin.co.uk.

The team will also host a conference call for analysts and investors at 16:15hrs (BST) today – Wednesday 26 July 2017. An audio recording will be available at www.ipfin.co.uk from 27 July 2017.

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Passcode: 7128162

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

Legal Entity Identifier: 213800II1O44IRKUZB59

International Personal Finance plc
Condensed consolidated interim financial information for the six months ended 30 June 2017

Consolidated income statement

	Notes	**Unaudited Six months ended 30 June 2017 £M**	Unaudited Six months ended 30 June 2016 £M	Audited Year ended 31 December 2016 £M
Revenue	4	**400.8**	361.5	756.8
Impairment	4	**(109.9)**	(101.1)	(184.9)
Revenue less impairment		**290.9**	260.4	571.9
Finance costs		**(27.1)**	(21.6)	(46.8)
Other operating costs		**(66.7)**	(58.6)	(129.1)
Administrative expenses		**(154.1)**	(147.2)	(300.0)
Total costs		**(247.9)**	(227.4)	(475.9)
Profit before taxation – continuing operations	4	**43.0**	33.0	96.0
Tax expense – UK		**-**	-	(3.1)
– Overseas		**(12.9)**	(8.9)	(21.7)
Total tax expense	5	**(12.9)**	(8.9)	(24.8)
Profit after taxation – continuing operations		**30.1**	24.1	71.2
Loss after taxation – discontinued operations	8	**(7.7)**	(2.5)	(4.3)
Profit after taxation attributable to owners of the Company		**22.4**	21.6	66.9

Earnings per share – continuing operations

	Notes	**Unaudited Six months ended 30 June 2017 pence**	Unaudited Six months ended 30 June 2016 pence	Audited Year ended 31 December 2016 pence
Basic	6	**13.6**	10.9	32.2
Diluted	6	**13.0**	10.6	31.3

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

Earnings per share – including discontinued operations

	Notes	**Unaudited Six months ended 30 June 2017 pence**	Unaudited Six months ended 30 June 2016 pence	Audited Year ended 31 December 2016 pence
Basic	6	**10.1**	9.8	30.2
Diluted	6	**9.7**	9.5	29.4

Dividend per share

	Notes	**Unaudited Six months ended 30 June 2017 pence**	Unaudited Six months ended 30 June 2016 pence	Audited Year ended 31 December 2016 pence
Interim dividend	7	**4.6**	4.6	4.6
Final dividend	7	**-**	-	7.8
Total dividend		**4.6**	4.6	12.4

Dividends paid

	Notes	**Unaudited Six months ended 30 June 2017 £M**	Unaudited Six months ended 30 June 2016 £M	Audited Year ended 31 December 2016 £M
Interim dividend of 4.6 pence (2016: interim dividend of 4.6 pence) per share	7	**-**	**-**	10.2
Final 2016 dividend of 7.8 pence (2016: final 2015 dividend of 7.8 pence) per share	7	**17.3**	**17.2**	17.2
Total dividends paid		**17.3**	**17.2**	27.4

Consolidated statement of comprehensive income

	Unaudited Six months ended 30 June 2017 £M	Unaudited Six months ended 30 June 2016 £M	Audited Year ended 31 December 2016 £M
Profit after taxation attributable to owners of the Company	**22.4**	21.6	66.9
Other comprehensive income			
Items that may subsequently be reclassified to income statement			
Exchange gains on foreign currency translations	**37.8**	52.1	65.1
Net fair value gains/(losses) – cash flow hedges	**1.8**	(0.7)	1.5
Tax charge on items that may be reclassified	**(0.4)**	(0.2)	(0.1)
Items that will not subsequently be reclassified to income statement			
Actuarial gains/(losses) on retirement benefit obligation	**2.2**	(5.6)	(10.0)
Tax (charge)/credit on items that will not be reclassified	**(0.4)**	1.2	1.9
Other comprehensive income net of taxation	**41.0**	46.8	58.4
Total comprehensive income for the period attributable to owners of the Company	**63.4**	68.4	125.3

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

Consolidated balance sheet

	Notes	**Unaudited 30 June 2017 £M**	Unaudited 30 June 2016 £M	Audited 31 December 2016 £M
Assets				
Non-current assets				
Goodwill	9	**23.9**	22.9	23.3
Intangible assets	10	**34.9**	31.2	32.6
Property, plant and equipment	11	**24.3**	22.9	23.4
Deferred tax assets		**118.9**	87.3	112.0
Non-current tax asset	12	**36.0**	-	-
		238.0	164.3	191.3
Current assets				
Amounts receivable from customers				
- due within one year		**863.1**	752.3	808.3
- due in more than one year		**147.1**	122.4	131.6
	13	**1,010.2**	874.7	939.9
Derivative financial instruments		**3.0**	19.9	15.4
Cash and cash equivalents		**32.3**	42.1	43.4
Other receivables		**30.2**	32.4	20.8
Current tax assets		**11.5**	3.9	3.1
		1,087.2	973.0	1,022.6
Total assets	4	**1,325.2**	1,137.3	1,213.9
Liabilities				
Current liabilities				
Borrowings	14	**(73.9)**	(17.8)	(22.4)
Derivative financial instruments		**(12.6)**	(6.1)	(4.7)
Trade and other payables		**(133.0)**	(120.1)	(123.2)
Current tax liabilities		**(5.0)**	(16.7)	(16.5)
		(224.5)	(160.7)	(166.8)
Non-current liabilities				
Retirement benefit obligation	15	**(6.0)**	(4.7)	(9.1)
Deferred tax liabilities		**(7.3)**	(6.1)	(8.1)
Borrowings	14	**(610.4)**	(584.6)	(600.4)
		(623.7)	(595.4)	(617.6)
Total liabilities	4	**(848.2)**	(756.1)	(784.4)
Net assets		**477.0**	381.2	429.5
Equity attributable to owners of the Company				
Called-up share capital		**23.4**	23.4	23.4
Other reserve		**(22.5)**	(22.5)	(22.5)
Foreign exchange reserve		**46.5**	(4.3)	8.7
Hedging reserve		**2.5**	(1.2)	1.1
Own shares		**(48.8)**	(55.2)	(50.8)
Capital redemption reserve		**2.3**	2.3	2.3
Retained earnings		**473.6**	438.7	467.3
Total equity		**477.0**	381.2	429.5

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

Consolidated statement of changes in equity

	Unaudited				
	Called-up share capital	Other reserve	Other reserves*	Retained earnings	Total equity
	£M	£M	£M	£M	£M
At 1 January 2016	23.4	(22.5)	(113.3)	439.6	327.2
Comprehensive income					
Profit after taxation for the period	-	-	-	21.6	21.6
Other comprehensive income/(expense)					
Exchange gains on foreign currency translation (note 18)	-	-	52.1	-	52.1
Net fair value losses – cash flow hedges	-	-	(0.7)	-	(0.7)
Actuarial losses on retirement benefit obligation	-	-	-	(5.6)	(5.6)
Tax (charge)/credit on other comprehensive income	-	-	(0.2)	1.2	1.0
Total other comprehensive income/(expense)	-	-	51.2	(4.4)	46.8
Total comprehensive income for the period	-	-	51.2	17.2	68.4
Transactions with owners					
Share-based payment adjustment to reserves	-	-	-	2.8	2.8
Shares granted from treasury and employee trust	-	-	3.7	(3.7)	-
Dividends paid to Company shareholders	-	-	-	(17.2)	(17.2)
At 30 June 2016	23.4	(22.5)	(58.4)	438.7	381.2
At 1 July 2016	23.4	(22.5)	(58.4)	438.7	381.2
Comprehensive income					
Profit after taxation for the period	-	-	-	45.3	45.3
Other comprehensive income/(expense)					
Exchange gains on foreign currency translation (note 18)	-	-	13.0	-	13.0
Net fair value gains – cash flow hedges	-	-	2.2	-	2.2
Actuarial losses on retirement benefit obligation	-	-	-	(4.4)	(4.4)
Tax credit on other comprehensive income	-	-	0.1	0.7	0.8
Total other comprehensive income/(expense)	-	-	15.3	(3.7)	11.6
Total comprehensive income for the period	-	-	15.3	41.6	56.9
Transactions with owners					
Share-based payment adjustment to reserves	-	-	-	1.6	1.6
Shares granted from treasury and employee trust	-	-	4.4	(4.4)	-
Dividends paid to Company shareholders	-	-	-	(10.2)	(10.2)
At 31 December 2016	23.4	(22.5)	(38.7)	467.3	429.5

Consolidated statement of changes in equity (continued)

	Unaudited				
	Called-up share capital £M	Other reserve £M	Other reserves* £M	Retained earnings £M	Total equity £M
At 1 January 2017	**23.4**	**(22.5)**	**(38.7)**	**467.3**	**429.5**
Comprehensive income					
Profit after taxation for the period	-	-	-	**22.4**	**22.4**
Other comprehensive income/(expense)					
Exchange gains on foreign currency translation (note 18)	-	-	**37.8**	-	**37.8**
Net fair value gains – cash flow hedges	-	-	**1.8**	-	**1.8**
Actuarial gains on retirement benefit obligation	-	-	-	**2.2**	**2.2**
Tax charge on other comprehensive income	-	-	**(0.4)**	**(0.4)**	**(0.8)**
Total other comprehensive income	-	-	**39.2**	**1.8**	**41.0**
Total comprehensive income for the period	-	-	**39.2**	**24.2**	**63.4**
Transactions with owners					
Share-based payment adjustment to reserves	-	-	-	**1.4**	**1.4**
Shares granted from treasury and employee trust	-	-	**2.0**	**(2.0)**	-
Dividends paid to Company shareholders	-	-	-	**(17.3)**	**(17.3)**
At 30 June 2017	**23.4**	**(22.5)**	**2.5**	**473.6**	**477.0**

* Includes foreign exchange reserve, hedging reserve, own shares and capital redemption reserve.

Consolidated cash flow statement

	Notes	**Unaudited Six months ended 30 June 2017 £M**	Unaudited Six months ended 30 June 2016 £M	Audited Year ended 31 December 2016 £M
Cash flows from operating activities				
Continuing operations				
Cash generated from operating activities	17	**92.8**	60.5	136.2
Finance costs paid		**(36.3)**	(29.0)	(44.3)
Income tax paid		**(68.4)**	(30.7)	(68.4)
Discontinued operations		**(2.7)**	-	(1.7)
Net cash (used in)/generated from operating activities		**(14.6)**	0.8	21.8
Cash flows used in investing activities				
Continuing operations				
Purchases of intangible assets	10	**(7.4)**	(7.7)	(15.8)
Purchases of property, plant and equipment	11	**(4.7)**	(2.6)	(8.2)
Proceeds from sale of property, plant and equipment		**-**	0.1	-
Discontinued operations				
Purchases of property, plant and equipment		**-**	-	(0.1)
Disposal of subsidiary, net of cash and cash equivalents	8	**3.0**	-	-
Net cash used in investing activities		**(9.1)**	(10.2)	(24.1)
Net cash used in operating and investing activities		**(23.7)**	(9.4)	(2.3)
Cash flows from financing activities				
Continuing operations				
Proceeds from borrowings		**34.6**	56.1	69.9
Repayment of borrowings		**(6.3)**	(30.8)	(41.7)
Dividends paid to Company shareholders	7	**(17.3)**	(17.2)	(27.4)
Net cash generated from financing activities		**11.0**	8.1	0.8
Net decrease in cash and cash equivalents		**(12.7)**	(1.3)	(1.5)
Cash and cash equivalents at beginning of period		**43.4**	39.9	39.9
Exchange gains on cash and cash equivalents		**1.6**	3.5	5.0
Cash and cash equivalents at end of period		**32.3**	42.1	43.4

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2017

1. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with the Disclosure and Transparency Rules ('DTR') of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union. This condensed consolidated interim financial information should be read in conjunction with the Annual Report and Financial Statements ('the Financial Statements') for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. This condensed consolidated interim financial information was approved for release on 26 July 2017.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Financial Statements for the year ended 31 December 2016 were approved by the Board on 1 March 2017 and delivered to the Registrar of Companies. The Financial Statements contained an unqualified audit report and did not include an emphasis of matter paragraph or any statement under Section 498 of the Companies Act 2006. The Financial Statements are available on the Group's website (www.ipfin.co.uk).

The Board has reviewed the budget for the year to 31 December 2017 and the forecasts for the two years to 31 December 2019 which include projected profits, cash flows, borrowings and headroom against facilities. The Group's committed funding through a combination of bonds and committed bank facilities, combined with a successful track record of accessing debt funding markets, is sufficient to fund the planned growth of our existing operations and new markets for the foreseeable future. Taking these factors into account the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason the Board has adopted the going concern basis in preparing this Half-year Financial Report.

The accounting policies adopted in this condensed consolidated interim financial information are consistent with those adopted in the Financial Statements for the year ended 31 December 2016 and are detailed in those Financial Statements.

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

- Amendments to IAS 7 – Disclosure Initiative;
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses; and
- Annual Improvements to IFRSs: 2014-16 cycle – IFRS 12 Amendments.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2017 (continued)

1. Basis of preparation (continued)

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

- IFRS 9 'Financial instruments'. This standard replaces IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and will affect the Group's accounting for its financial assets. The mandatory implementation date for this standard is 1 January 2018 however it has not yet been endorsed by the European Union. The Group is in the process of assessing IFRS 9's full impact;
- IFRS 15 – Revenue from Contracts with Customers;
- Clarifications to IFRS 15 – Revenue from Contracts with Customers;
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration;
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions;
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- Amendments to IAS 40 – Transfers of Investment Property;
- Annual Improvements to IFRSs: 2014-16 Cycle – IFRS 1 and IAS 28 Amendments;
- IFRS 16 – Leases;
- IFRIC 23 – Uncertainty over Income Tax Treatments; and
- IFRS 17 – Insurance Contracts.

2. Principal risks and uncertainties

We operate a formal risk management process, the details of which are set out on page 53 of the Financial Statements for the year ended 31 December 2016. Details of our principal risks can be found on pages 36 to 43 of the Financial Statements and are summarised below:

- the risk that we suffer losses or fail to optimise profitable growth due to a failure to operate in compliance with, or effectively anticipate changes in, all applicable laws and regulations, or a regulator interpreting these in a different way;
- the risk that we suffer losses or fail to optimise profitable growth due to a failure to manage change in an effective manner;
- the risk that our strategy is impacted by not having sufficient depth and quality of people or being unable to retain key people and treat them in accordance with our values and ethical standards;
- the risk that we suffer losses or fail to optimise profitable growth through not responding to the competitive environment or failing to ensure our proposition meets customer needs;
- the risk that we suffer losses or fail to optimise profitable growth due to a failure of our systems, suppliers or processes, or due to the loss or theft of sensitive information;
- the risk that we suffer financial or reputational damage due to our methods of operation, ill-informed comment or malpractice;
- the risk that we suffer financial loss as a result of a failure to identify and adapt to changing economic conditions adequately;
- the risk of personal accident to, or assault of, our agents or employees;
- the risk that we suffer additional taxation or financial penalties associated with failure to comply with tax legislation or adopting an interpretation of the law that cannot be sustained;
- the risk that we suffer financial loss if our customers fail to meet their contracted obligations; and
- the risk of insufficient availability of funding, unfavourable pricing, a breach of debt facility covenants; or that performance is significantly impacted by interest rate or currency movements, or failure of a banking counterparty.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2017 (continued)

3. Related parties

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

4. Segment analysis

	Unaudited Six months ended 30 June 2017 £M	Unaudited Six months ended 30 June 2016 £M	Audited Year ended 31 December 2016 £M
Revenue			
Home credit			
Northern Europe	**161.5**	162.8	330.6
Southern Europe	**89.2**	80.0	170.8
Mexico	**106.0**	87.5	186.5
Slovakia	**-**	6.1	7.5
Lithuania	**-**	2.1	3.3
	356.7	338.5	698.7
Digital	**44.1**	23.0	58.1
Revenue – continuing operations	**400.8**	361.5	756.8
Discontinued operations	**3.7**	2.9	6.6
Revenue	**404.5**	364.4	763.4
Impairment			
Home credit			
Northern Europe	**41.4**	42.7	76.2
Southern Europe	**22.1**	20.4	35.2
Mexico	**35.8**	34.2	68.0
Slovakia	**(6.2)**	(5.8)	(15.1)
Lithuania	**(2.0)**	1.6	3.1
	91.1	93.1	167.4
Digital	**18.8**	8.0	17.5
Impairment – continuing operations	**109.9**	101.1	184.9
Discontinued operations	**2.6**	1.7	2.6
Impairment	**112.5**	102.8	187.5

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2017 (continued)

4. Segment analysis (continued)

	Unaudited Six months ended 30 June 2017 £M	Unaudited Six months ended 30 June 2016 £M	Audited Year ended 31 December 2016 £M
Profit before taxation			
Home credit			
Northern Europe	**28.6**	31.2	75.6
Southern Europe	**19.0**	15.7	40.3
Mexico	**5.3**	2.3	11.7
Slovakia	**3.9**	(2.5)	(1.6)
Lithuania	**1.5**	(1.7)	(5.8)
	58.3	45.0	120.2
Digital	**(8.2)**	(4.4)	(9.3)
UK costs[1]	**(7.1)**	(7.6)	(14.9)
Profit before taxation – continuing operations	**43.0**	33.0	96.0
Discontinued operations	**(7.2)**	(2.3)	(3.4)
Profit before taxation	**35.8**	30.7	92.6

[1] Although UK costs and exceptional items are not classified as a separate segment in accordance with IFRS 8 'Operating Segments', they are shown separately in order to provide a reconciliation to profit before taxation.

Segment assets	**Unaudited 30 June 2017 £M**	Unaudited 30 June 2016 £M	Audited 31 December 2016 £M
Home credit			
Northern Europe	**563.9**	496.4	494.6
Southern Europe	**254.6**	219.4	255.0
Mexico	**244.6**	212.6	223.1
Slovakia	**1.1**	22.3	7.9
Lithuania	**0.3**	5.1	1.7
	1,064.5	955.8	982.3
Digital	**189.0**	97.3	148.7
UK[2]	**71.7**	74.9	72.7
Total – continuing operations	**1,325.2**	1,128.0	1,203.7
Discontinued operations	**-**	9.3	10.2
Total	**1,325.2**	1,137.3	1,213.9

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2017 (continued)

4. Segment analysis (continued)

Segment liabilities	**Unaudited 30 June 2017 £M**	Unaudited 30 June 2016 £M	Audited 31 December 2016 £M
Home credit			
Northern Europe	**255.4**	239.9	196.8
Southern Europe	**133.2**	125.4	138.9
Mexico	**193.9**	163.9	170.0
Slovakia	**8.0**	37.4	23.9
Lithuania	**0.5**	13.4	13.9
	591.0	580.0	543.5
Digital	**163.1**	84.3	120.7
UK[2]	**94.1**	82.9	111.6
Total – continuing operations	**848.2**	747.2	775.8
Discontinued operations	**-**	8.9	8.6
Total	**848.2**	756.1	784.4

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

5. Tax expense

The underlying taxation charge on profit for the first six months of 2017 has been based on an expected effective tax rate for the full year of 30%. This excludes a £0.5M tax charge relating to the disposal of our operation in Bulgaria, which is reported as a loss on discontinued operations.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2017 (continued)

6. Earnings per share

	Unaudited Six months ended 30 June 2017 pence	Unaudited Six months ended 30 June 2016 pence	Audited Year ended 31 December 2016 pence
Basic EPS – continuing operations	**13.6**	10.9	32.2
Dilutive effect of awards	**(0.6)**	(0.3)	(0.9)
Diluted EPS – continuing operations	**13.0**	10.6	31.3

	Unaudited Six months ended 30 June 2017 pence	Unaudited Six months ended 30 June 2016 pence	Audited Year ended 31 December 2016 pence
Basic EPS – including discontinued operations	**10.1**	9.8	30.2
Dilutive effect of awards	**(0.4)**	(0.3)	(0.8)
Diluted EPS – including discontinued operations	**9.7**	9.5	29.4

Basic earnings per share ('EPS') from continuing operations is calculated by dividing the earnings attributable to shareholders of £30.1M (30 June 2016: £24.1M, 31 December 2016: £71.2M) by the weighted average number of shares in issue during the period of 222.2M which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (30 June 2016: 220.7M, 31 December 2016: 221.2M).

Basic earnings per share ('EPS') including discontinued operations is calculated by dividing the earnings attributable to shareholders of £22.4M (30 June 2016: £21.6M, 31 December 2016: £66.9M) by the weighted average number of shares in issue during the period of 222.2M which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (30 June 2016: 220.7M, 31 December 2016: 221.2M).

For diluted EPS the weighted average number of shares has been adjusted to 231.5M (30 June 2016: 228.3M, 31 December 2016: 227.5M) to assume conversion of all dilutive potential ordinary share options relating to employees of the Group.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2017 (continued)

7. Dividends

The final dividend for 2016 of 7.8 pence per share was paid to shareholders on 12 May 2017 at a total cost to the Group of £17.3M. The directors propose an interim dividend in respect of the financial year ended 31 December 2017 of 4.6 pence per share payable to shareholders who are on the register at close of business on 8 September 2017. This will amount to a total dividend payment of £10.2M based upon the number of shares in issue and ranking for dividends as at 30 June 2017. This dividend is not reflected as a liability in the balance sheet as at 30 June 2017.

8. Discontinued operations

On 28 June 2017, we announced completion of the sale of the home credit business in Bulgaria in order to focus our resources on our larger home credit and rapidly-growing digital businesses. Losses of £7.7M are included in the income statement in respect of Bulgaria for the half-year ended 30 June 2017. These costs can be analysed as follows:

	Unaudited 30 June 2017 £M	Unaudited 30 June 2016 £M	Audited 31 December 2016 £M
Trading losses	**2.7**	2.3	3.4
Write-off of assets	**4.2**	-	-
Other costs of disposal	**0.3**	-	-
Loss before taxation	**7.2**	2.3	3.4
Taxation charge	**0.5**	0.2	0.9
Loss – discontinued operations	**7.7**	2.5	4.3

9. Goodwill

	Unaudited 30 June 2017 £M	Unaudited 30 June 2016 £M	Audited 31 December 2016 £M
Net book value at start of period	**23.3**	20.1	20.1
Exchange adjustments	**0.6**	2.8	3.2
Net book value at end of period	**23.9**	22.9	23.3

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2017 (continued)

10. Intangible assets

	Unaudited 30 June 2017 £M	Unaudited 30 June 2016 £M	Audited 31 December 2016 £M
Net book value at start of period	**32.6**	25.6	25.6
Additions	**7.4**	7.7	15.8
Impairment	**-**	-	(0.7)
Amortisation	**(5.1)**	(3.1)	(9.0)
Exchange adjustments	**0.2**	1.0	0.9
Disposal of subsidiary	**(0.2)**	-	-
Net book value at end of period	**34.9**	31.2	32.6

11. Property, plant and equipment

	Unaudited 30 June 2017 £M	Unaudited 30 June 2016 £M	Audited 31 December 2016 £M
Net book value at start of period	**23.4**	24.3	24.3
Exchange adjustments	**1.3**	1.6	1.7
Additions	**4.7**	2.6	8.3
Disposals	**(0.1)**	(0.1)	(0.8)
Depreciation	**(4.8)**	(5.5)	(10.1)
Disposal of subsidiary	**(0.2)**	-	-
Net book value at end of period	**24.3**	22.9	23.4

As at 30 June 2017 the Group had £5.7M of capital expenditure commitments with third parties that were not provided for (30 June 2016: £6.1M, 31 December 2016: £6.1M).

12. Non-current tax asset

Non-current tax asset includes an amount of £36.0M in respect of the tax paid to the Polish Tax Authority, see note 19 for further details.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2017 (continued)

13. Amounts receivable from customers

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:

	Unaudited 30 June 2017 £M	Unaudited 30 June 2016 £M	Audited 31 December 2016 £M
Polish zloty	**378.9**	331.0	345.7
Czech crown	**82.1**	87.5	84.2
Euro*	**120.3**	89.9	96.3
Hungarian forint	**149.8**	122.7	139.6
Romanian leu	**87.1**	80.8	98.6
Bulgarian lev	**-**	6.6	7.8
Mexican peso	**183.8**	151.2	161.2
Australian dollar	**8.2**	5.0	6.5
Total receivables	**1,010.2**	874.7	939.9

*Includes receivables in Slovakia, Lithuania, Latvia, Finland, Estonia and Spain.

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 101% (30 June 2016: 110%, 31 December 2016: 105%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 8.5 months (30 June 2016: 7.1 months, 31 December 2016: 7.8 months).

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

Revenue recognised on amounts receivable from customers which have been impaired was £220.8M (6 months ended 30 June 2016: £215.8M, 12 months ended 31 December 2016: £437.0M).

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2017 (continued)

14. Borrowings

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

	Unaudited 30 June 2017 £M	Unaudited 30 June 2016 £M	Audited 31 December 2016 £M
Repayable			
- in less than one year	**73.9**	17.8	22.4
- between one and two years	**29.5**	60.4	73.2
- between two and five years	**580.9**	524.2	527.2
	610.4	584.6	600.4
Total borrowings	**684.3**	602.4	622.8

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

	Unaudited 30 June 2017 £M	Unaudited 30 June 2016 £M	Audited 31 December 2016 £M
Repayable			
- on demand	**15.1**	14.5	-
- in less than one year	**83.5**	31.9	56.8
- between one and two years	**49.8**	115.9	85.3
- between two and five years	**675.7**	602.5	633.1
Total facilities	**824.1**	764.8	775.2

As outlined previously, the Group's home credit company in Poland, Provident Polska, has been subject to tax audits in respect of the Company's 2008 and 2009 financial years. The 2010 financial year is currently being audited by the tax authorities in Poland, and all subsequent years until 2016 remain open to future audit. Since the year end Provident Polska has appealed the decisions made by the Polish Tax Chamber, to the District Administrative Court, for the 2008 and 2009 financial years and has paid the amounts assessed of approximately £34M (comprising tax and associated payments, net of repayments) which was necessary in order to make the appeals. In order to appeal any potential future decisions for 2010 and subsequent years, further payments may be required. There are significant uncertainties in relation to the amount and timing of such cash outflows. However, in the event that audits are opened, and similar decisions are reached for each of these subsequent financial years, further amounts of up to c£105M (£95M reported at 2016 year end, updated for latest FX rates) may be required to be funded. In relation to these matters, the directors have stated in note 19 that they do not consider that there will be any probable loss.

15. Retirement benefit obligation

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

	Unaudited 30 June 2017 £M	Unaudited 30 June 2016 £M	Audited 31 December 2016 £M
Equities	**23.6**	20.9	22.1
Bonds	**10.1**	9.4	9.6
Index-linked gilts	**8.3**	8.3	8.3
Other	**1.0**	1.0	0.2
Total fair value of scheme assets	**43.0**	39.6	40.2
Present value of funded defined benefit obligations	**(49.0)**	(44.3)	(49.3)
Net obligation recognised in the balance sheet	**(6.0)**	(4.7)	(9.1)

The charge recognised in the income statement in respect of defined benefit pension costs is £0.1M (6 months ended 30 June 2016: £nil, 12 months ended 31 December 2016: £nil).

16. Fair values of financial assets and liabilities

IFRS 7 requires disclosure of fair value measurements of derivative financial instruments by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All of the Group's derivative financial instruments held at fair value fall into hierarchy level 2 (30 June 2016 and 31 December 2016: all of the Group's derivative financial instruments held at fair value fell into hierarchy level 2). The fair value of derivative financial instruments has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at the relevant period end.

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

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2017 (continued)

16. Fair values of financial assets and liabilities (continued)

	Carrying value			Fair value		
	Unaudited 30 June 2017 £M	Unaudited 30 June 2016 £M	Audited 31 December 2016 £M	**Unaudited 30 June 2017 £M**	Unaudited 30 June 2016 £M	Audited 31 December 2016 £M
Financial assets						
Amounts receivable from customers	**1,010.2**	874.7	939.9	**1,405.0**	1,222.3	1,335.5
	1,010.2	874.7	939.9	**1,405.0**	1,222.3	1,335.5
Financial Liabilities						
Bonds	**580.1**	553.4	565.0	**528.3**	511.5	480.8
Bank borrowings	**104.2**	49.0	57.8	**104.2**	49.0	57.8
	684.3	602.4	622.8	**632.5**	560.5	538.6

The fair value of amounts receivable from customers has been derived by discounting expected future cash flows (as used to calculate the carrying value of amounts due from customers), net of agent collection costs, at the Group's weighted average cost of capital of 5.8% (30 June 2016: 5.9%, 31 December 2016: 6.1%).

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

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

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2017 (continued)

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

	Unaudited Six months ended 30 June 2017 £M	Unaudited Six months ended 30 June 2016 £M	Audited Year ended 31 December 2016 £M
Profit after taxation from continuing operations	**30.1**	24.1	71.2
Adjusted for			
Tax charge	**12.9**	8.9	24.8
Finance costs	**27.1**	21.6	46.8
Share-based payment charge	**1.4**	2.8	3.5
Amortisation of intangible assets (note 10)	**5.1**	3.1	9.0
Loss on disposal of property, plant and equipment	**0.1**	-	0.8
Impairment of intangible assets (note 10)	**-**	-	0.7
Depreciation of property, plant and equipment (note 11)	**4.8**	5.4	9.9
Changes in operating assets and liabilities			
Amounts receivable from customers	**(16.7)**	(5.4)	(41.5)
Other receivables	**(5.2)**	(19.4)	(6.6)
Trade and other payables	**12.0**	26.1	18.9
Retirement benefit obligation	**(0.9)**	(1.1)	(1.1)
Derivative financial instruments	**22.1**	(5.6)	(0.2)
Cash generated from continuing operating activities	**92.8**	60.5	136.2

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2017 (continued)

18. Foreign exchange rates

The table below shows the average exchange rates for the relevant reporting periods and closing exchange rates at the relevant period ends.

	Average H1 2017	**Closing June 2017**	Average H1 2016	Closing June 2016	Average Year 2016	Closing December 2016
Polish zloty	**4.9**	**4.8**	5.6	5.2	5.3	5.2
Czech crown	**31.0**	**29.8**	34.5	32.4	33.3	31.6
Euro	**1.2**	**1.1**	1.3	1.2	1.2	1.2
Hungarian forint	**358.8**	**350.8**	397.2	382.0	377.7	362.1
Romanian leu	**5.3**	**5.2**	5.7	5.4	5.4	5.3
Bulgarian lev	**2.3**	**2.2**	2.5	2.3	2.4	2.3
Mexican peso	**24.1**	**22.9**	26.1	24.3	25.6	25.6
Australian dollar	**1.7**	**1.7**	2.0	1.8	1.8	1.7

The £37.8M exchange gain on foreign currency translations shown within the consolidated statement of comprehensive income arises on retranslation of net assets denominated in currencies other than sterling, due to the change in foreign exchange rates against sterling between December 2016 and June 2017 shown in the table above.

19. Contingent Liability Note

As previously reported, our home credit business in Poland appealed decisions received in January 2017 from the Polish Tax Chamber (the upper tier of the Polish tax authority) with respect to its 2008 and 2009 financial years. The decisions for both years are identical and involve a transfer pricing challenge relating to an intra-group arrangement with a UK entity together with a challenge to the timing of taxation of home collection fee revenues. We strongly disagree with the interpretation of the tax authority and will defend our position robustly in court. In order to make the appeals, we paid the amounts assessed. The payment is not a reflection of our view on the merits of the case and accordingly it has been recognised as a non-current financial asset of £36.0M (comprising tax and associated interest) in our Group accounts. As we believe our case to be very strong, having received supporting legal opinions from leading advisors, no provision has been recognised against this asset and there is no charge to the income statement as a result of this decision.

The 2010 financial year is currently being audited by the tax authorities in Poland and a decision is expected in the coming months. In the event that the decision follows the same reasoning as for 2008 and 2009 a further c. £20M would become payable in order to appeal the case. Although all subsequent financial years remain open to future audit, currently we do not expect new audits to commence until the first instance court has ruled on 2008/2009 (expected to be no earlier than Q4 2017).

19. Contingent Liability Note (continued)

In relation to these matters, no expense or provision has been made in this financial information in relation to either the cash paid to the Polish tax authorities for the 2008 and 2009 financial years, or in relation to future decisions that may be received for later financial periods, as the directors do not consider that there will be any probable loss. This is on the basis of both the legal advice received, and the fact that during a previous tax audit by the same tax authority, the company's treatment of these matters was accepted as correct.

Therefore the payments of the sums outlined above are not a reflection of the directors' view on the merits of the case, and accordingly the payments made in January 2017 are recognised as a non-current financial asset in the 2017 financial information given the uncertainties in relation to the timing of any repayment of such amounts. See note 12 for more details.

Responsibility statement

The following statement is given by each of the directors: namely; Dan O'Connor, Chairman; Gerard Ryan, Chief Executive Officer; Justin Lockwood, Chief Financial Officer; Tony Hales, senior independent non-executive director; Jayne Almond, non-executive director; John Mangelaars, non-executive director; Richard Moat, non-executive director and Cathryn Riley, non-executive director.

The directors confirm that to the best of their knowledge:

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

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

Independent review report to the members of International Personal Finance plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
26 July 2017