International Personal Finance plc
Full-year Financial Report for the year ended 31 December 2018
International Personal Finance plc specialises in providing unsecured consumer credit to more than 2.3 million customers across 11 markets. We operate the world's largest home credit business and a leading fintech business, IPF Digital.

Key highlights

- **Significantly improved financial performance and excellent strategic progress**
  - Credit issued growth of 6%
  - Consistently well-managed credit quality - impairment to revenue ratio of 26.2%
  - £15.3 million (16%) growth in Group profit before tax from ongoing businesses to £109.3 million after restating 2017 PBT on an IFRS 9 basis

- **European home credit – very good operational and financial performance**
  - As expected, challenging market landscape drove credit issued contraction of 5%
  - Excellent credit quality - impairment to revenue ratio of 17.9%
  - Profit before tax of £113.8 million delivered through improved collections performance and cost optimisation

- **Mexico home credit – strategic investment continued to deliver growth**
  - 11% growth in customer numbers to reach 917,000
  - 12% increase in credit issued driven by investment in strategic initiatives including geographic expansion and micro-business lending
  - Strong profit growth (22%) to £15.7 million

- **IPF Digital – strong growth and excellent operational performance**
  - Effective execution delivered strong credit issued growth of 35%
  - Established markets delivered good growth and improved profitability
  - New markets delivered strong growth, improved impairment and lower start-up losses
  - Confident of delivering maiden profit in 2019

- **Strong funding position and robust balance sheet; dividend maintained**
  - Further diversified funding and extended term: £177 million matures after Eurobond Q2 2021
  - £185.5 million of headroom on debt facilities
  - Equity to receivables of 43.6% post-IFRS 9 implementation
  - Proposed final dividend of 7.8 pence per share

Group key statistics (continuing operations)	2017 reported	2017 IFRS 9	**2018 IFRS 9**	YOY change IFRS 9 at CER
Customers (000s)	2,290	2,290	**2,301**	0.5%
Credit issued (£m)	1,301.5	1,301.5	**1,360.6**	5.5%
Revenue (£m)	825.8	842.6	**866.4**	4.1%
Impairment % revenue†	25.4%	27.9%	**26.2%**	1.7%
Cost-income ratio†	45.2%	44.3%	**44.9%**	(0.6)%
PBT from ongoing businesses† (£m)	102.4	94.0	**109.3**	
Statutory PBT (£m)	105.6	97.2	**109.3**	
Statutory EPS (pence)	33.7	31.0	**33.8**	
Full-year dividend per share (pence)	12.4	12.4	**12.4**	

† Excluding Slovakia and Lithuania.

Notes
In this financial report, we compare the 2018 actual full-year performance against the 2017 numbers adjusted for IFRS 9 because the Board believes that this provides the most relevant comparison of performance trends. More detail on IFRS 9 can be found in this report, and a full reconciliation of the 2017 profit and loss account between the reported numbers and the IFRS 9 numbers is also set out in this report.

This report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The report should not be relied on by any other party or for any other purpose. The report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, like-for-like any such forward-looking information. Percentage change figures for all performance measures, other than profit before taxation and earnings per share, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate (CER) for 2018 in order to present the like-for-like performance variance.

Chief Executive Officer, Gerard Ryan, commented:
"I am delighted with the excellent progress we made against our strategic objectives which delivered a very strong financial performance in 2018. Profit before tax increased by £15.3 million to £109.3 million as a result of improving profits across all our businesses. We are particularly pleased with IPF Digital's profit trajectory, with a strong contribution from established markets and reduced start-up losses within new markets, driven by both excellent customer acquisition and strong credit growth. We are confident that our strategy will continue to support growth across the Group by successfully addressing the demands of our core stakeholders: meeting our customers' needs, creating value for our shareholders and contributing to the communities in which we operate."

Strategy update
Our business provides small sum, unsecured personal loans to customers who are either underbanked or underserved by mainstream operators. Our strategy is to provide consumers in this segment with a greater choice of channels, products and price points, and to make their journey with us as seamless as possible. We made very good progress against our strategy in 2018 which segments our operations into 'growth' and 'returns' focused businesses. We are optimising the returns of our European home credit operations to invest in our growth businesses, Mexico home credit and IPF Digital, and deliver returns to our shareholders. We will continue to improve our service and effectiveness by investing in technology in both our home credit and digital businesses.

Our European home credit business is becoming more efficient and technologically enabled, the loan portfolio quality is excellent and it delivered very good operational and financial results this year. Our investments in growth opportunities in IPF Digital and Mexico home credit are now showing clear signs that they will deliver according to our plan, thereby creating a group with three pillars; a modernised European home credit delivering very good returns; a Mexican home credit business that combines ongoing growth potential with improved levels of profitability; and a global digital lending business that grows through constant innovation and delivers good returns.

Market overview
Macroeconomic conditions in all our European markets in 2018 were stable and current indicators suggest these markets will deliver positive GDP growth, low unemployment and moderately

increasing inflation in 2019. In Mexico, political change resulted in some uncertainty in 2018 and GDP growth forecasts for 2019 remain positive but have softened slightly in recent months.

In all our markets, we continue to see a growing number of consumers wanting to access finance, although it is clear that a very significant proportion of our target market do not have the credit quality required to be served remotely by mainstream lenders. Competition for the best quality customers in our demographic is intense and our IPF Digital brands and Provident-branded digital offers are targeted directly at consumers in this segment who have the credit profile to qualify for a remote loan.

Based on our experience across several markets, we see home credit co-existing very comfortably with digital credit offerings as the combination of the two can serve the vast majority of the customers in our segments. In particular, our home credit model, with the involvement of an agent at the customer's home, allows us to gain a unique and in-depth understanding of a customer's financial circumstances and propensity to repay. As a result, we are able to lend with more confidence to creditworthy customers where a remote lending business cannot.

Group performance overview

Executing in line with our strategic objectives and remaining committed to strong operational discipline resulted in a £15.3 million (16%) increase in profit before tax to £109.3 million from ongoing businesses. This comprised an uplift in like-for-like profit before tax of £15.2 million, a benefit of £1.7 million from lower new business investment and a £1.6 million adverse impact from weaker FX rates. The reduced new business investment comprised £3.6 million within IPF Digital's new markets and central functions where start-up losses reduced, offset partially by increased new business investment of £1.9 million in Mexico home credit.

The table below details the performance of each of our business segments, highlighting the significant like-for-like improvement in profit before tax that has been delivered.

	2017 IFRS 9 profit £m	Like-for-like profit movement £m	New business investment movement £m	Stronger / weaker FX rates £m	**2018 IFRS 9 profit £m**
European home credit	112.3	2.2	-	(0.7)	**113.8**
Mexico home credit	12.9	5.9	(1.9)	(1.2)	**15.7**
IPF Digital	(16.3)	6.8	3.6	0.3	**(5.6)**
Central costs	(14.9)	0.3	-	-	**(14.6)**
Profit before taxation ongoing businesses	94.0	15.2	1.7	(1.6)	**109.3**
Slovakia and Lithuania	3.2	(3.4)	-	0.2	**-**
Profit before taxation from continuing operations	97.2	11.8	1.7	(1.4)	**109.3**

The increase in profit comprised £15.3 million from our ongoing businesses offset partially by a £3.2 million reduction in the contribution from Slovakia and Lithuania, which reported a profit in 2017 when they were being wound down. We are in the process of liquidating the home credit businesses in Slovakia and Lithuania, and this did not result in any profit and loss account charge or credit during 2018. The statutory profit before tax increase, IAS 39 2017 to IFRS 9 2018, is £3.7 million.

We delivered a 6% increase in credit issued led by our IPF Digital and Mexico home credit businesses, offset partially by a 5% contraction in European home credit. This growth increased our average net receivables by 6%, and revenue by 4%. We maintained strong credit quality and good collections across the Group and improved impairment as a percentage of revenue by 1.7ppts to 26.2% (2017: 27.9%). Our cost-income ratio increased by 0.6ppts to 44.9%, driven by improved operating leverage in IPF Digital and Mexico home credit offset by a modest increase in the cost-income ratio in European home credit.

Business Division Performance Review

European home credit

Our European home credit businesses are the financial foundation of the Group, providing excellent service to customers and generating the cash and capital needed to fund growth opportunities and returns to shareholders. We continued to improve the sustainability of these businesses by creating more modern, efficient and better credit quality operations which resulted in a very good operational and financial performance in 2018. Together, the European home credit businesses delivered a £1.5 million increase in profit before tax to £113.8 million driven primarily by stronger-than-originally expected post-field collections. This robust performance reflects an improvement in like-for-like profit of £2.2 million with slightly lower net revenue more than offset by lower costs, partially impacted by a £0.7 million adverse effect from weaker FX rates.

	2017 IFRS 9 £m	**2018 IFRS 9 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	1,236	**1,092**	(144)	(11.7)	
Credit issued	797.0	**757.8**	(39.2)	(4.9)	(5.1)
Average net receivables	578.0	**558.9**	(19.1)	(3.3)	(3.7)
Revenue	519.9	**493.3**	(26.6)	(5.1)	(5.3)
Impairment	(108.3)	**(88.5)**	19.8	18.3	18.4
Net revenue	411.6	**404.8**	(6.8)	(1.7)	(1.9)
Finance costs	(36.6)	**(35.3)**	1.3	3.6	3.8
Agents' commission	(56.6)	**(53.7)**	2.9	5.1	5.5
Other costs	(206.1)	**(202.0)**	4.1	2.0	2.6
Profit before taxation	112.3	**113.8**	1.5	1.3	

Competition remained intense in Europe with payday, digital, home credit and bank operators competing to serve credit to our segment of consumers. This, together with new debt-to-income regulations in Romania, resulted in customer numbers contracting by 12%. We responded with campaigns to increase new customer acquisition and improve retention which, as planned, delivered a 3ppt slower rate of contraction in the second half of the year compared to the first. Credit issued contracted by 5%, which led to a reduction in both average net receivables and revenue of 4% and 5% respectively.

The credit quality of the loan portfolio in European home credit is very strong, driven primarily by better than originally expected post-field collections, supported by good agent collections and our focus on serving higher-quality customers. As a result, impairment as a percentage of revenue improved by 2.9ppts to 17.9%.

We are modernising our European home credit businesses to improve efficiency by investing in technology and we completed the roll-out of our agent mobile technology in this region which is now being used by more than 10,000 agents and field managers. As demand for digital loans has increased, we have evolved the business to offer Provident-branded digital loans to customers in Poland and around 22,000 people are using this channel. We delivered a reduction in costs during 2018 of £5.4 million (at CER) despite these investments in technology as we focused on delivering a sustainably lower cost base in these businesses. However, revenue contraction was slightly faster than the reduction in costs which resulted in a 1.3ppt increase in the cost-income ratio year on year to 40.9%. As planned, this ratio improved during the second half of the year as result of this optimisation strategy.

We will continue to operate our European home credit businesses in line with our strategy to enhance their sustainability, deliver a high-quality service to our customers and optimise returns. We aim to continue the momentum we achieved in the second half of 2018 and further reduce the rate of customer contraction, become more technically enabled with further functionality being added to the MyProvi mobile app, and improve cost-efficiency.

Mexico home credit

Mexico home credit is one of our two strategic investment areas to drive growth. We are taking advantage of the significant scale opportunity in this market by expanding our geographic footprint, building our micro-business channel and improving profitability in our established branches. We opened five new branches in the second quarter of the year and are now serving over 100,000 customers in the 17 branches opened since the beginning of 2016. With an estimated four million individuals running micro-businesses in Mexico, the potential opportunity to generate growth by providing credit to customers who are underbanked is substantial, and we are now serving around 26,000 customers with this offering.

The Mexico home credit business continued to perform well and delivered a 22% (£2.8 million) improvement in profit before tax to £15.7 million in 2018. This comprises like-for-like profit growth of £5.9 million delivered by our established branches, offset partially by increased investment in future growth of £1.9 million through geographical expansion and our micro-business channel, together with a £1.2 million adverse impact from weaker FX rates.

	2017 IFRS 9 £m	**2018 IFRS 9 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	828	**917**	89	10.7	
Credit issued	273.7	**291.0**	17.3	6.3	12.3
Average net receivables	150.6	**154.9**	4.3	2.9	8.5
Revenue	218.6	**226.1**	7.5	3.4	9.3
Impairment	(79.0)	**(82.9)**	(3.9)	(4.9)	(10.5)
Net revenue	139.6	**143.2**	3.6	2.6	8.6
Finance costs	(10.2)	**(11.3)**	(1.1)	(10.8)	(17.7)
Agents' commission	(28.9)	**(28.8)**	0.1	0.3	(5.5)
Other costs	(87.6)	**(87.4)**	0.2	0.2	(4.9)
Profit before taxation	12.9	**15.7**	2.8	21.7	
Established branches	17.2	**22.4**	5.2	30.2	
Expansion and micro-business	(4.3)	**(6.7)**	(2.4)	(55.8)	
Profit before taxation	12.9	**15.7**	2.8	21.7	

Our strategy to attract new customers through investment in branch expansion and our micro-business loans channel were the key drivers of an 89,000 increase in customers to 917,000. This resulted in credit issued growth of 12% together with a 9% increase in both average net receivables and revenue.

Alongside delivering good growth, we maintained collections at an acceptable level and impairment as a percentage of revenue was 36.7%, which is slightly higher than 2017. In our established branches, where we have a balanced mix of new and repeat customers and stable operational teams, this impairment measure stands at 32.7% of revenue (2017: 34.4%). As newer branches and micro-business lending become more mature, their impairment measure is expected to reach that of the established branches. Our investment in growing Mexico home credit drove a 5% increase in our other costs which was driven by expansion and micro-business lending. Overall, the increase in investment was lower than the revenue growth generated, and together with good cost management, the cost-income ratio improved by 1.4ppts year on year to 38.7%.

Mexico offers significant opportunities for our home credit business and we will continue our successful strategy to expand our geographic footprint and micro-business loans channel to deliver further top-line growth. In addition, we will focus on driving further improvements in returns from our established branches.

IPF Digital

IPF Digital is also a key strategic growth opportunity for the Group serving the increasing demand for digital credit within our target segment of consumers. We delivered another year of very strong growth and made further progress against our strategic priorities of providing a great customer experience through innovation, building scale in our new markets of Poland, Spain, Australia and Mexico, and moving to profitability in 2019. The growing demand for our revolving credit line product, which now accounts for 60% of our digital lending, demonstrates that we are achieving our stated goal of providing customers with the products they want through the channels they wish to use. Clearly this goal is a journey rather than an end point and we will continue to develop and improve our products and processes to make the customer journey as simple, fast and frictionless as possible.

In 2018, we focused on increasing scale in our new markets while improving our credit decisioning, the result of which was a reduction in start-up losses before tax to £5.6 million, which is a £10.7 million improvement on 2017. This result was driven by reduced losses in our new markets where we delivered strong top-line growth, improved impairment and cost-leverage combined with improved profitability in the established markets.

	2017 IFRS 9 £m	**2018 IFRS 9 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	226	**292**	66	29.2	
Credit issued	230.8	**311.8**	81.0	35.1	34.7
Average net receivables	148.5	**209.6**	61.1	41.1	40.7
Revenue	104.1	**147.0**	42.9	41.2	40.9
Impairment	(47.5)	**(55.6)**	(8.1)	(17.1)	(16.8)
Net revenue	56.6	**91.4**	34.8	61.5	61.2

Finance costs	(8.4)	**(11.9)**	(3.5)	(41.7)	(40.0)
Other costs	(64.5)	**(85.1)**	(20.6)	(31.9)	(32.6)
Loss before taxation	(16.3)	**(5.6)**	10.7	65.6	

Strong customer demand and effective marketing delivered a 35% increase in credit issued to £311.8 million, driven primarily by the strong performance in our new markets, but also good levels of growth in our established markets. This resulted in a 41% increase in both average net receivables and revenue.

Alongside this growth, we continued to improve our credit decisioning capabilities, evidenced by a 7.8ppt improvement in impairment as a percentage of revenue to 37.8%. We maintained good credit quality in our established markets and we made considerable improvements in the new markets by optimising our credit settings via constant testing and refinement of different credit strategies. In addition, increased scale and investment in technology has enabled us to better leverage our infrastructure and improve cost efficiency, delivering a 4.1ppt year-on-year reduction in the cost-income ratio to 57.9%.

The profitability of IPF Digital is segmented as follows:

	2017 IFRS 9 £m	**2018** **IFRS 9** **£m**	Change £m	Change %
Established markets	18.6	**25.5**	6.9	37.1
New markets	(25.2)	**(17.8)**	7.4	29.4
Head office costs	(9.7)	**(13.3)**	(3.6)	(37.1)
IPF Digital	(16.3)	**(5.6)**	10.7	65.6

Established markets

	2017 IFRS 9 £m	**2018** **IFRS 9** **£m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	141	**157**	16	11.3	
Credit issued	138.7	**161.3**	22.6	16.3	15.4
Average net receivables	105.7	**130.9**	25.2	23.8	22.9
Revenue	63.4	**79.5**	16.1	25.4	24.4
Impairment	(13.1)	**(16.5)**	(3.4)	(26.0)	(24.1)
Net revenue	50.3	**63.0**	12.7	25.2	24.5
Finance costs	(5.8)	**(7.2)**	(1.4)	(24.1)	(24.1)
Other costs	(25.9)	**(30.3)**	(4.4)	(17.0)	(16.1)
Profit before taxation	18.6	**25.5**	6.9	37.1	

Our established markets delivered a £6.9 million improvement in profit before tax to £25.5 million driven by the benefits of scale and cost leverage. Smarter marketing, customer acquisition and CRM, combined with enhanced risk-based pricing strategies, resulted in a 15% increase in credit issued and a 23% increase in average net receivables. Revenue yield was stable at around 60% and, therefore, revenue growth was in-line with the increase in average net receivables.

Impairment as a percentage of revenue in these well-regulated markets was stable at 20.8%. This reflected a modest increase in underlying impairment as these markets continue to grow and serve

new customers, offset partially by the benefit of non-recurring debt sale profits totalling £3.6 million. We continued to manage our cost base closely to improve efficiency, which resulted in an improvement in the cost-income ratio of around 3ppts to 38.1%.

New markets

	2017 IFRS 9 £m	**2018** **IFRS 9** **£m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	85	**135**	50	58.8	
Credit issued	92.1	**150.5**	58.4	63.4	64.1
Average net receivables	42.8	**78.7**	35.9	83.9	85.2
Revenue	40.7	**67.5**	26.8	65.8	67.1
Impairment	(34.4)	**(39.1)**	(4.7)	(13.7)	(14.0)
Net revenue	6.3	**28.4**	22.1	350.8	365.6
Finance costs	(2.6)	**(4.7)**	(2.1)	(80.8)	(74.1)
Other costs	(28.9)	**(41.5)**	(12.6)	(43.6)	(46.1)
Loss before taxation	(25.2)	**(17.8)**	7.4	29.4	

Start-up losses in the new markets reduced by £7.4 million, driven by a combination of strong top-line growth together with improved impairment and cost-leverage. We continued to invest in building our digital brands, as well as improving our product and customer experience and enhancing risk-based pricing strategies to appeal to a wider range of customers. These factors delivered a 64% increase in credit issued, an increase in average net receivables of 85% and growth in revenue of 67%, with strong performances from all markets.

Another year of experience in these markets improved our ability to make good credit decisions and enhance our processes to optimise customer repayment behaviours. This delivered a significant 26.6ppt reduction in impairment as a percentage of revenue to 57.9%. Achieving such rapid improvement in credit quality at the same time as strong growth demonstrates our capabilities to continuously improve our credit settings and optimise our use of new technology and data sources. We expect we will continue to deliver positive impairment trends in these markets as they mature. Investment in growing these businesses – both marketing and volume-driven operational costs - resulted in increased costs to £41.5 million, however, economies of rapidly increasing scale resulted in a 9.5ppt improvement in the cost-income ratio to 61.5%, and we expect this trend to continue in the coming years.

IPF Digital as a whole represents a significant long-term growth opportunity for the Group and is making excellent progress against our strategy to build a large, profitable digital lending business. We are confident that we will deliver the division's maiden profit in 2019 as we continue to build scale, improve impairment in our new markets, and further leverage our cost base to drive greater efficiency.

Regulatory update

As previously reported, the National Bank of Romania introduced debt-to-income limits that became effective on 1 January 2019. The debate in Romania relating to a proposal for an APR cap of 18% for existing and new consumer lending has now been finalised. Following a full consultation, which included engagement with our trade association and banks to enable regulators and politicians to better understand the potential unintended impacts of the proposal on consumers and businesses, an APR cap of 50% for loans under €3,000 and 18% for loans over €3,000 was agreed. The vast

majority of our Romanian lending will fall under the 50% cap. While aspects of the new cap are the subject of a constitutional court challenge, we nevertheless expect the new regulation to come into effect later in the year. Although the APR cap and new debt-to-income limits will have an effect on sales volumes and profitability in Romania, we do not expect this to be material at Group level.

On Monday 18 February, the Polish Ministry of Justice (MoJ) published a draft bill containing a modified set of proposals for a reduction in the cap on non-interest costs that may be charged by lenders in connection with consumer loan agreements. The level of the current cap is as follows: (i) a flat level of 25% of the loan value; and (ii) an additional cap of 30% per annum; the combined total of both of which may not, in any event, exceed 100% of the loan value. The MoJ had previously published a draft bill in December 2016 under which the flat level cap and the additional per annum cap would have been reduced to 10% and 10% respectively, the combined total being limited to 75% of the loan value. As modified, the new proposal regarding non-interest costs is to reduce the flat level cap to 20% and the additional per annum cap to 25%, the combined total being limited to 75% of loan value. There is no proposal to reduce the current cap on interest charges. The proposals are open to public consultation for two weeks from the date of their publication and if approved in their current form, could be effective during the second calendar quarter of 2019. Once the proposals are finalised, we will update the market with our assessment of the likely financial impact on the Group.

Taxation

The taxation charge on profit for 2018 has been based on an effective tax rate of 31%. The taxation charge for the year on statutory pre-tax profit was £33.9 million (2017: £30.6 million on a pre-exceptional tax charge basis). As set out in our Q3 trading update on 18 October 2018, a draft law proposing amendments to existing tax legislation in Poland was submitted to Parliament and came into force on 1 January 2019. The main impact for our business is that certain cross-border transactions entered into by our Polish subsidiary are now economically inefficient. As a result of these changes, we expect the effective tax rate for the Group to be around 41% in 2019.

In January 2017, our home credit company in Poland received adverse decisions on tax audits in respect 2008 and 2009 and consequently was required to pay £36.1 million (comprising tax and associated interest) in order to lodge an appeal in the Polish courts. The court process was subsequently stayed whilst these decisions became subject to a process involving the UK and Polish tax authorities aimed at ensuring that an intra-group arrangement is taxed in accordance with international tax principles. The tax returns for 2010 to 2012 are currently subject to tax audits and all subsequent years remain open to audit. The total potential liability for all open years (2008 to 2018), if all years were assessed on the same basis as 2008 and 2009, would amount to around £169 million including the £36.1 million that has already been paid, and this is disclosed in the financial information as a contingent liability. We have received strong external legal advice, and note that during a previous tax audit by the same tax authority, the Company's treatment of these matters was accepted as correct. Therefore the payment of the sum outlined above is not a reflection of our view on the merits of the case, and accordingly the £36.1 million already paid has been recognised as a non-current financial asset in these Financial Statements given the uncertainties in relation to the timing of any repayment of such amounts. Further details on this matter are set out in note 21.

Funding and balance sheet

We further strengthened our debt funding position by adding £84 million of new funding in 2018.

In June, we issued a Swedish Krona 450 million (£40 million) senior unsecured floating rate bond due in 2022 under our existing Euro Medium Term Note Programme. This forms part of our funding strategy to support the long-term growth of the business by diversifying sources of debt funding, and extending the debt maturity profile beyond the main Eurobond maturity in 2021. In addition, we

put in place £44 million of new bank funding including facilities provided by new banks in Romania, Poland, and Hungary.

At December 2018, we had total debt facilities of £886 million (£570 million bonds and £316 million bank facilities) and borrowings of £698 million, with headroom on undrawn debt facilities of £185.5 million. Of our committed funding, £177 million now extends beyond the Eurobond maturity in 2021, including £73 million in 2022/23. We repaid total bonds of £65 million which matured in 2018, and have one bond maturity in December 2019 of £15 million.

Our balance sheet remains robust, with an equity to receivables capital ratio at December 2018 of 43.6% compared with 42.0% at December 2017.

Dividend

Subject to shareholder approval, a final dividend of 7.8 pence per share will be payable, which will bring the full-year dividend to 12.4 pence per share (2017: 12.4 pence per share). The final dividend will be paid on 10 May 2019 to shareholders on the register at the close of business on 12 April 2019. The shares will be marked ex-dividend on 11 April 2019.

Board changes

Tony Hales, who joined the Board in 2007, will not be seeking re-election at the 2019 AGM in May and will stand down from the Board as a Non-Executive Director at that time. We are pleased to announce that Richard Moat will replace Tony as senior independent director with effect from the conclusion of the 2019 AGM, subject to Richard's re-election as a director. Richard joined the Board in 2012 and was appointed Chairman of the Audit and Risk Committee in 2015.

Dan O'Connor, Chairman said: "Following a rigorous selection process to find the right individual to take over the role of senior independent director, I am pleased that Richard Moat accepted this critical position. His skills, knowledge and experience make him a worthy successor to Tony Hales. Tony has been our senior independent director since 2010. On behalf of the Board, I would like to thank him sincerely for his support, valuable insight and significant contribution throughout his time with IPF. Tony has been a great colleague, providing huge assistance to me in my role, and has added greatly to the quality and richness of discussion around the board table."

Outlook

We remain focused on serving our customers responsibly within a regulatory and competitive landscape that we expect will remain challenging. We will continue to focus on the sustainability of our European home credit businesses by investing to create a more modern, efficient and higher credit quality operation that provides a broader array of services to our customers. These businesses deliver good returns for shareholders and fund growth opportunities in our Mexico home credit and IPF Digital operations. In Mexico we will continue to invest in growing the scale of our operations through geographic expansion and micro-business lending in tandem with delivering progressive improvements in profit. In IPF Digital we will focus on continued portfolio growth, further reductions in impairment and as a result we expect to deliver a maiden profit for the division in 2019.

Alternative Performance Measures

This full-year Financial Report provides alternative performance measures (APMs) which are not defined or specified under the requirements of International Financial Reporting Standards. We believe these APMs provide stakeholders with important additional information on our business. To

support this we have included an accounting policy note on APMs in the notes to this Financial Report, a glossary indicating the APMs that we use, an explanation of how they are calculated and why we use them, and a reconciliation of the APMs we use to a statutory measure, where relevant.

IFRS 9

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

Implementation of the standard results in changes in the recognition of revenue and impairment and, as a consequence, the accounting value of the Group's receivables portfolio. The one-time reduction in the accounting value of receivables has been charged to equity in accordance with the transition rules of IFRS 9 and further details on this are set out below and in note 23. The ongoing impact on profit before tax of our reporting segments varies according to the stage of development of a business. If a reporting segment's receivables portfolio is stable in terms of size and credit quality, IFRS 9 will not have a significant impact on net revenue generation. This is because for every new loan issued where impairment is booked on origination, there is another older loan that reports higher net revenue than under the current accounting standard. However, if a reporting segment's receivables portfolio is growing, net revenue and profit will be lower in the earlier months under IFRS 9. This is because impairment booked on originating loans will be larger than the benefit arising from lower impairment on the older loans, due to portfolio growth.

The profit before taxation impact that IFRS 9 would have had on our 2017 reporting is summarised below.

	2017 reported profit £m	IFRS 9 impact £m	2017 IFRS 9 profit £m
European home credit	114.3	(2.0)	112.3
Mexico home credit	14.7	(1.8)	12.9
IPF Digital	(11.7)	(4.6)	(16.3)
Central costs	(14.9)	-	(14.9)
Profit before taxation ongoing businesses	102.4	(8.4)	94.0
Slovakia and Lithuania	3.2	-	3.2
Profit before taxation from continuing operations	105.6	(8.4)	97.2

The total impact of IFRS 9 on the Group's net assets as at 1 January 2018 is as follows:

	Reported 1 January 2018 £m	Transitional impact £m	**IFRS 9 1 January 2018 £m**
Receivables	1,056.9	(130.5)	**926.4**
Deferred tax	93.0	23.1	**116.1**
Other net assets	(653.0)	-	**(653.0)**
Net assets	496.9	(107.4)	**389.5**
Equity % receivables	47.0%		**42.0%**

Opening net assets is stated after the one-time reduction in the accounting value of receivables at the start of the year arising from the implementation of IFRS 9 which totalled £130.5 million or 12.3% of the accounting value of the receivables portfolio under the old accounting standard. This impact has been charged to equity in accordance with the transitional rules included in IFRS 9. The impact of this reduction on net assets was mitigated partially by an increase in the deferred tax asset reflecting the fact that, under IFRS 9, net revenue is recorded more slowly in the Financial Statements than under the old accounting standard, and hence the timing difference between the Financial Statements and the tax returns is larger.

In the financial information included within this full-year Financial Report, the Group has elected not to restate comparatives on initial application of IFRS 9 and, as such, 2017 comparatives are as previously reported.

International Personal Finance plc

Consolidated income statement for the year ended 31 December

	Notes	**2018** **£m**	2017 £m
Revenue	4	**866.4**	825.8
Impairment	4	**(227.0)**	(201.1)
Revenue less impairment		**639.4**	624.7
Finance costs		**(58.5)**	(55.2)
Other operating costs		**(140.8)**	(135.2)
Administrative expenses		**(330.8)**	(328.7)
Total costs		**(530.1)**	(519.1)
Profit before taxation – continuing operations	4	**109.3**	105.6
Tax expense – UK		**(0.8)**	(0.7)
– Overseas		**(33.1)**	(29.9)
Total pre-exceptional tax expense	5	**(33.9)**	(30.6)
Profit after pre-exceptional taxation – continuing operations		**75.4**	75.0
Exceptional tax expense	5	**-**	(30.0)
Profit after taxation – continuing operations		**75.4**	45.0
Loss after taxation – discontinued operations	8	**-**	(8.4)
Profit after taxation attributable to owners of the Company		**75.4**	36.6

Earnings per share – continuing operations pre-exceptional

	Notes	**2018** **pence**	2017 pence
Basic	6	**33.8**	33.7
Diluted	6	**32.2**	32.4

Earnings per share – continuing operations

		2018	2017

	Notes	**pence**	pence
Basic	6	**33.8**	20.2
Diluted	6	**32.2**	19.5

Earnings per share – including discontinued operations

	Notes	**2018** **pence**	2017 pence
Basic	6	**33.8**	16.5
Diluted	6	**32.2**	15.8

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

Consolidated statement of comprehensive income for the year ended 31 December

	2018 **£m**	2017 £m
Profit after taxation attributable to owners of the Company	**75.4**	36.6
Other comprehensive (expense)/income		
Items that may subsequently be reclassified to income statement:		
Exchange (losses)/gains on foreign currency translations	**(8.7)**	51.3
Net fair value gains/(losses) – cash flow hedges	**0.3**	(2.5)
Tax credit on items that may be reclassified	**0.3**	0.2
Items that will not subsequently be reclassified to income statement:		
Actuarial gains on retirement benefit obligation	**1.1**	10.3
Tax charge on items that will not be reclassified	**(0.2)**	(1.9)
Other comprehensive (expense)/ income net of taxation	**(7.2)**	57.4
Total comprehensive income for the year attributable to owners of the Company	**68.2**	94.0

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

Balance sheet as at 31 December

	Notes	**2018 £m**	2017 £m
Assets			
Non-current assets			
Goodwill	9	**24.5**	24.4
Intangible assets	10	**38.0**	33.1
Property, plant and equipment	11	**19.9**	23.2
Deferred tax assets	12	**138.5**	103.1
Non-current tax asset	13	**36.1**	37.0
Retirement benefit asset	17	**4.1**	2.1
		261.1	222.9
Current assets			
Amounts receivable from customers			
- due within one year		**764.2**	866.9
- due in more than one year		**228.6**	190.0
	14	**992.8**	1,056.9
Derivative financial instruments	16	**1.6**	10.4
Cash and cash equivalents		**46.6**	27.4
Other receivables		**18.9**	19.3
Current tax assets		**1.5**	5.7
		1,061.4	1,119.7
Total assets		**1,322.5**	1,342.6
Liabilities			
Current liabilities			
Borrowings	15	**(28.8)**	(79.6)
Derivative financial instruments	16	**(7.3)**	(4.8)
Trade and other payables		**(147.7)**	(145.7)
Current tax liabilities		**(25.8)**	(7.4)
		(209.6)	(237.5)
Non-current liabilities			
Deferred tax liabilities	12	**(10.4)**	(10.1)
Borrowings	15	**(669.5)**	(598.1)
		(679.9)	(608.2)
Total liabilities		**(889.5)**	(845.7)
Net assets		**433.0**	496.9
Equity attributable to owners of the Company			
Called-up share capital		**23.4**	23.4
Other reserve		**(22.5)**	(22.5)
Foreign exchange reserve		**51.3**	60.0
Hedging reserve		**(0.6)**	(1.2)
Own shares		**(45.1)**	(47.6)
Capital redemption reserve		**2.3**	2.3
Retained earnings		**424.2**	482.5
Total equity		**433.0**	496.9

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

Statement of changes in equity

	Called-up share capital £m	Other reserve £m	Other reserves* £m	Retained earnings £m	Total equity £m
At 1 January 2017	23.4	(22.5)	(38.7)	467.3	429.5
Comprehensive income:					
Profit after taxation for the year	-	-	-	36.6	36.6
Other comprehensive income/(expense):					
Exchange gains on foreign currency translation	-	-	51.3	-	51.3
Net fair value losses – cash flow hedges	-	-	(2.5)	-	(2.5)
Actuarial gains on retirement benefit obligation	-	-	-	10.3	10.3
Tax credit/(charge) on other comprehensive income	-	-	0.2	(1.9)	(1.7)
Total other comprehensive income	-		49.0	8.4	57.4
Total comprehensive income for the year	-	-	49.0	45.0	94.0
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	1.0	1.0
Shares granted from treasury and employee trust	-	-	3.2	(3.2)	-
Dividends paid to Company shareholders	-	-	-	(27.6)	(27.6)
At 31 December 2017	23.4	(22.5)	13.5	482.5	496.9
At 1 January 2018	**23.4**	**(22.5)**	**13.5**	**482.5**	**496.9**
Change in accounting policy	**-**	**-**	**-**	**(107.4)**	**(107.4)**
Restated at 1 January 2018	**-**	**-**	**-**	**375.1**	**389.5**
Comprehensive income:					
Profit after taxation for the year	**-**	**-**	-	**75.4**	**75.4**
Other comprehensive (expense)/income:					
Exchange losses on foreign currency translation	**-**	**-**	**(8.7)**	**-**	**(8.7)**
Net fair value gains – cash flow hedges	**-**	**-**	**0.3**	-	**0.3**
Actuarial gains on retirement benefit obligation	**-**	**-**	**-**	**1.1**	**1.1**
Tax credit /(charge) on other comprehensive income	**-**	**-**	**0.3**	**(0.2)**	**0.1**
Total other comprehensive (expense)/ income	**-**	**-**	**(8.1)**	**0.9**	**(7.2)**
Total comprehensive (expense)/income for the year	**-**	**-**	**(8.1)**	**76.3**	**68.2**
Transactions with owners:					
Share-based payment adjustment to reserves	**-**	**-**	**-**	**3.0**	**3.0**
Shares granted from treasury and employee trust	**-**	**-**	**2.5**	**(2.5)**	**-**
Dividends paid to Company shareholders	**-**	**-**	-	**(27.7)**	**(27.7)**
At 31 December 2018	**23.4**	**(22.5)**	**7.9**	**424.2**	**433.0**

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

Cash flow statement for the year ended 31 December

	2018	2017
	£m	£m
Cash flows from operating activities		
Continuing operations		
Cash generated from operating activities	**141.6**	143.6
Finance costs paid	**(59.6)**	(54.7)
Income tax paid	**(21.8)**	(94.0)
Discontinued operations	**-**	(2.7)
Net cash generated from/(used in) operating activities	**60.2**	(7.8)
Cash flows from investing activities		
Continuing operations		
Purchases of intangible assets	**(19.3)**	(14.9)
Purchases of property, plant and equipment	**(6.7)**	(10.1)
Proceeds from sale of property, plant and equipment	**0.3**	0.7
Discontinued operations		
Purchases of property, plant and equipment	**-**	-
Disposal of subsidiary, net of cash and cash equivalents	**-**	3.0
Net cash used in investing activities	**(25.7)**	(21.3)
Net cash generated from/(used in) operating and investing activities	**34.5**	(29.1)
Cash flows from financing activities		
Continuing operations		
Proceeds from borrowings	**101.9**	92.5
Repayment of borrowings	**(89.7)**	(53.2)
Dividends paid to Company shareholders	**(27.7)**	(27.6)
Net cash (used in)/generated from financing activities	**(15.5)**	11.7
Net increase/(decrease) in cash and cash equivalents	**19.0**	(17.4)
Cash and cash equivalents at beginning of year	**27.4**	43.4
Exchange gains on cash and cash equivalents	**0.2**	1.4
Cash and cash equivalents at end of year	**46.6**	27.4

Notes to the financial information for the year ended 31 December 2018

1. Basis of preparation

The financial information, which comprises the consolidated income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and related notes, is derived from the full Group Financial Statements for the year ended 31 December 2018, which have been prepared in accordance with European Union endorsed International Financial Reporting Standards ('IFRSs') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. It does not constitute full Financial Statements within the meaning of section 434 of the Companies Act 2006. This financial information has been agreed with the auditor for release.

Statutory Financial Statements for the year ended 31 December 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Company's annual general

meeting. The auditor has reported on those Financial Statements: its reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly they continue to adopt the going concern basis in preparing this financial information (see note 22 for further details).

The accounting policies used in completing this financial information have been consistently applied in all periods shown. These accounting policies are detailed in the Group's Finance Report for the year ended 31 December 2018 which can be found on the Group's website (www.ipfin.co.uk).

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2018 but do not have any material impact on the Group:

- IFRS 15 'Revenue from contracts with customers (and the related clarifications)';
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration';
- Amendments to IAS 40 'Transfers of investment property'; and
- IFRS 2 (amendment) 'Classification and Measurement of Share-based Payment Transactions'.

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

- Amendments to IAS 19 Employee Benefits – plan amendment, curtailment or settlement;
- IFRS 16 'Leases'; and
- IFRIC 23 'Uncertainty over Income Tax Treatments'.

IFRS 9 Financial Instruments

Classification and measurement

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

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

There is no change in the accounting for any financial liabilities.

Hedge accounting

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

Impairment

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

Determining an increase in credit risk since initial recognition

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

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

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

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

Definition of default and credit impaired assets

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

- Quantitative criteria: the customer is more than 90 days past due on their contractual payments in home credit and 60 days past due on their contractual payments in IPF Digital;
- Qualitative criteria: indication that there is a measurable movement in the estimated future cash flows from a group of financial assets. For example, if prospective legislative changes are considered to impact the collections performance of customers.

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

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

Forward-looking information

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

Where extreme macroeconomic scenarios are experienced, we will use management judgement to identify, quantify and apply any required approach.

Modelling techniques

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

In some markets, the most recent impairment parameters are not considered to be representative of expected future performance due to changes in operational performance. Therefore an overlay has been applied to increase certain parameters at both 1 January 2018 and 31 December 2018.

IFRS 16 Leases

IFRS 16, which was endorsed by the EU on 9 November 2017, provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019.

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

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

Furthermore, extensive disclosures are required by IFRS 16.

The Group has reviewed all of the Group's leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of £29.0 million. The Group's preliminary assessment is that it will recognise right-of-use assets of approximately £22 million on 1 January 2019 and lease liabilities of £22 million, overall there will be a £nil impact on net assets. Net current assets will be approximately £7 million lower due to the presentation of a portion of the liability as a current liability. The Group's activities as a lessee are not material and hence the Group does not expect any significant impact on the Financial Statements. The impact of IFRS 16 on the profit and loss account in 2019 is not expected to be significant.

Alternative Performance Measures

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

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

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

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

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

A full reconciliation of the 2017 profit and loss account between the IAS 39 reported numbers and the IFRS 9 numbers is included within these APMs.

2. Principal risks and uncertainties

In accordance with the Companies Act 2006, a description of the principal risks and uncertainties (and the mitigating factors in place in respect of these) is included below. Effective management of risks, uncertainties and opportunities is critical to our business in order to deliver long-term shareholder value and protect our people, assets and reputation. In 2018, we continued to face a challenging external environment, particularly from changing regulation and competition. Internally, our operational governance framework and risk management processes are continually reviewed to ensure that where areas of improvement are identified, a plan of action is put in place and can become a key focus for the Board. The effectiveness of operating these processes is monitored by the Audit and Risk Committee on behalf of the Board.

As at the year end, the Board considered that there are 17 principal risks which require ongoing focus (noted with asterisks in the table below).

The risks facing the business by risk category are:

Risk Category	Definition	Risks	Description
MARKET CONDITIONS	The risk that we cannot identify, respond to, comply with or take advantage of external market conditions.	**Regulatory** • Legal and regulatory compliance * • Legal and regulatory challenges and issues* • Future legal and regulatory	• Compliance with existing laws and regulations • Challenges to interpretation or application of existing laws and regulations • Anticipating and responding to changes to laws and

		development* • GDPR* **Competition and product proposition** • Competition* • Product proposition* **Funding, market and counterparty** • Funding* • Interest rate and currency • Counterparty **World economic environment*** **Taxation***	regulations and their interpretation • Responding to changes in market conditions • Meeting customer requirements • Funding availability to meet business needs • Market volatility impacting performance and asset values • Loss of banking partner • Adapting to economic conditions • Changes to, or interpretation of, tax legislation
STAKEHOLDER	The risk that key stakeholders take a negative view of the business as a direct result of our actions or our inability to effectively manage their perception of the Group.	• Reputation* • Customer service	• Reputational damage • Maintenance of customer service standards
OPERATIONAL	The risk of unacceptable losses as a result of inadequacies or failures in our internal core processes, systems or people behaviours.	• Credit* • Safety* • People* • Business continuity* and information security* • Financial and performance reporting • Technology* • Fraud	• Customers fail to repay • Harm to our agents/employees • Lack of people capability • Recoverability and security of systems and processes • Failure of financial reporting systems • Maintenance of effective technology • Theft or fraud loss
BUSINESS DEVELOPMENT	The risk that our earnings are impacted adversely by a sub-optimal business strategy or the sub-optimal implementation of that strategy, due to internal or external factors.	• Change management* • Brand	• Delivery of strategic initiatives • Strength of our customer brands

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

Key:	Risk Environment Improving ↑	Risk Environment Stable ↔	Risk Environment Worsening ↓
Risk	**Relevance to Strategy**	**Mitigation**	**Commentary**
1. Regulatory We suffer losses or fail to optimise profitable growth due to a failure to operate in compliance with, or effectively anticipate changes in, all applicable laws and regulations (including GDPR), or due to a regulator interpreting these in a different way. **Objective** We aim to ensure that effective arrangements are in place to enable us to comply with legal and regulatory obligations and take assessed and fully informed commercial risks.	**Impact** Changes in regulation, differences in interpretation or clarification of regulation, or changes in the enforcement of laws by regulators, courts and other bodies can lead to challenge of our products/practices. We monitor legal and regulatory developments to ensure we maintain compliance, remain competitive and provide value for our customers. **Likelihood** The frequency of legal and regulatory change and the impact of challenge vary by market. In 2018, in addition to the implementation of the GDPR across the EU, notable changes occurred in Romania in terms of the debt-to-income regulation and Poland's tax legislation. We also expect pricing regulations to be implemented at some point in the future in those markets where there are no price caps currently.	We have highly skilled and experienced legal and public affairs teams at Group level and in each of our markets. Expert third-party advisors are used where necessary. We engage with regulators, legislators and other stakeholders. The strategy of strengthening relevant sector associations contributes to our monitoring, as well as influencing capabilities. Co-ordinated legal and public affairs teams, at a Group level and in each market, monitor political, legislative and regulatory developments. Compliance programme focused on key consumer legislation including in relation to data privacy.	↔ **Lead responsibility: Chief Executive Officer** See Chief Executive Officer's review and operational review for more information. In Romania, new debt-to-income regulations impacted performance in 2018. Further debt-to income regulations were introduced on 1 January 2019 and an APR cap was passed, which is expected to come into effect in 2019. Although the APR cap and new debt-to-income limits will have an effect on sales volumes and profitability in Romania, we do not expect the impact to be material at Group level. In February 2019, the Polish Ministry of Justice published a draft bill containing a modified set of proposals for a reduction in the cap on non-interest costs that may be charged by lenders in connection with consumer loan agreements. The proposals are open to public consultation and if approved in their current form, could be effective during the second quarter of 2019. Once the proposals are finalised, we will update the market with our assessment of the likely financial impact on the Group. Customer contraction in our European home credit businesses is due partially to regulatory changes. We continued to engage with regulators, politicians and other stakeholders, participating in trade associations and informing our stakeholders about the role our services play in society and the economy.
2. Competition and product proposition We suffer losses or fail to	**Impact** In an environment of increasing competition and broadening	Regular monitoring of competitors and their offerings,	↔ **Lead responsibility: Chief Executive Officer** Customer contraction in European home credit was partly

optimise profitable growth through not responding to the competitive environment or failing to ensure our proposition meets customer needs. **Objective** We aim to ensure we understand competitive threats and deliver customer focused products to drive profitable growth.	customer choice, ensuring our product meets customers' needs is critical to delivering profitable growth. **Likelihood** Competition varies by market and is likely to remain at a high level, particularly in Europe.	advertising and share of voice in our markets. Regular surveys of customer views on our product offerings. Product development committees established across the Group to review the product development roadmap, manage product and introduce new products.	due to more intense competitive pressure, particularly from digital lenders and banks as they enhanced their customer propositions to meet demand for digital consumer credit. In response, we are offering larger loans at more attractive prices to our best quality home credit customers. In Mexico, competition is stable and digital lending remains small-scale. Diversification into digital lending enables us to offer further product choices to customers in our target segment. We intend to introduce digital propositions in all our home credit markets.
3. Taxation We suffer additional taxation or financial penalties associated with failure to comply with tax legislation or adopting an interpretation of the law that cannot be sustained. **Objective** We aim to generate shareholder value through effective management of tax while acting as a good corporate citizen. We are committed to ensuring compliance with tax law and practice in all of the territories in which we operate.	**Impact** Against a backdrop of increasing fiscal challenges for most economies, many authorities are turning to corporate taxpayers to increase revenues, either via taxation reforms or through changes to interpretations of existing legislation. **Likelihood** The likelihood of changes or challenges arising from tax legislation varies by market. Globally, OECD and EU-led developments may lead to an increase in transfer pricing audits.	Binding rulings or clearances obtained from authorities where appropriate. External advisors used for all material tax transactions. Qualified and experienced tax teams at Group level and in-market.	↔ **Lead responsibility: Chief Financial Officer** We have ongoing tax audits in Poland, Mexico and Slovakia. In January 2017, Poland received adverse decisions on tax audits in respect of 2008 and 2009 and was required to pay £36.1 million (comprising tax and associated interest) in order to lodge appeals. The court process has been stayed pending resolution of a process involving the UK and Polish tax authorities aimed at ensuring that an intra-group arrangement is taxed in accordance with international tax principles. The tax returns for 2010 to 2012 are subject to tax audits and all subsequent years remain open to audit. The total potential liability for all open years (2008 to 2018), if all were assessed as 2008 and 2009, would be around £169 million including the £36.1 million already paid. This is disclosed in the Financial Statements as a contingent liability. The payment of the £36.1 million is not a reflection of our view on the merits of the case, and accordingly has been recognised as a non-current financial asset in these Financial Statements. Following legislative change in Poland, effective from 1 January 2019, we expect the effective tax rate for the Group to be around 41% in 2019.
4. Technology and change management We suffer losses or fail to optimise profitable growth due to a failure to develop and maintain effective technology solutions or manage change in an effective manner. **Objective** We aim to effectively manage the design, delivery and benefits realisation of major technology and change initiatives and deliver according to requirements, budgets and timescales. We look to maintain systems that are available to support the ongoing operations in the business.	**Impact** A core part of our strategy is to modernise our home credit operation and invest in digital developments. Effective management of the initiatives within this programme is essential. The Group is currently undergoing a large change agenda which carries significant levels of inherent risk. Failure to deliver programmes or maintain our IT estate could lead to issues in benefits realisation or business disruption. **Likelihood** Our change programme is complex, covering numerous markets. As such there is a level of risk associated with its delivery. Unforeseen outages can happen against key systems as a result of change or failures in technology.	Appropriate methods and resources used in the delivery of programs. Programs are continually reviewed with strong governance of all major delivery activity. Ongoing reviews of our services and relationships with partners ensure we maintain effective service operations. Annual review undertaken to prioritise investment required in underlying technology ensures appropriateness of the underlying technology estate.	↔ **Lead responsibility: Chief Executive Officer** Effective oversight of the technology deliveries within the portfolio is ensured through the operation of a governance framework which supports the achievement of our strategic objectives, and through a prioritisation process that objectively identifies the priority technology and change initiatives.
5. People Our strategy is impacted by not having sufficient depth and quality of people or being unable to retain key people and treat them in accordance with our values and ethical standards. **Objective** We aim to have sufficient breadth of capabilities and depth of personnel to ensure that we can meet our strategic objectives.	**Impact** In order to achieve our strategic goals, we must continue to attract, engage, develop, retain and reward the right people. The very nature of people risk means that it is often difficult to reduce the frequency with which risks occur; however, our controls are aimed at lowering the impact of any risks. The Group's largest people-related risk relates to turnover in our agent population. Progress has been made this year in reducing this closer to our appetite level, with further work ongoing throughout 2019. **Likelihood** Our People, organisation and planning processes ensure that we develop	The HR control environment is in place to mitigate the people risks for the Group. This identifies the key people risks and also the key controls that we have in place to mitigate them. The key people risks and commensurate controls cover: • Critical skills shortage • Lack of succession to critical roles • Recruitment risks • Appropriate distribution of strategy-aligned objectives • Monitoring and action with regards to key people risks and issues	↔ **Lead Responsibility: Chief Executive Officer** Our people strategy focuses on building and maintaining a culture of high engagement and performance and we devote significant leadership time to identifying, developing and empowering our people. Expanding our Mexico home credit business in 2018 required an increase in the number of agents and key employees to meet these investment plans.

	appropriate and significant strength and depth of talent across the Group and we have the ability to move people between countries, which reduces our exposure to critical roles being under resourced. During 2019, we will continue to develop, resource, retain and reward the right people.	• Key people processes • Appropriate use of reward and compliance with delegated authority from the Remuneration Committee	
6. Business continuity and information security We suffer losses or fail to optimise profitable growth due to a failure of our systems, suppliers or processes or due to the loss, theft or corruption of information. **Objective** We aim to maintain adequate arrangements and controls that reduce the threat of service and business disruption and the risk of data loss to as low as is reasonably practicable.	**Impact** Globally, we have 2.3 million customers and we record, update and maintain data for each of them on a regular basis, often weekly. The availability of this data, and the continued operation of our systems and processes, is essential to the effective operation of our business and the security of our customer information. **Likelihood** While the external threat to our systems is increasing in the digital age, the tools in place reduce the likelihood of a significant failure or information loss.	Technology systems and services are designed for resilience and tested before launch. There is periodic testing and ongoing monitoring of security and recovery capability for technology and premises.	↔ **Lead responsibility: Chief Executive Officer** During 2018, we performed a number of tests of our information security and continue to work towards further improvement. In addition to periodic testing of technology, we perform regular tests and rehearsals of our communication processes and our plans for alternative worksites, where applicable. In 2018, we further strengthened our internal defences with the implementation of enhanced cyber security tools.
7. Reputation We suffer financial or reputational damage due to our methods of operation, ill-informed comment or malpractice. **Objective** We aim to promote a positive reputation based on a mutual understanding of what we do that will help the Group deliver its strategic aims.	**Impact** Our reputation can have an impact on both customer sentiment and the engagement of key stakeholders, impacting our ability to operate and serve our customer segment. Elements of this risk relate to external factors that are beyond our influence. Controls in place have reduced residual risk. There is now limited ability to further reduce this significantly. **Likelihood** We maintain strong relationships with key stakeholders across the Group in order to develop their understanding of our business model and how we deliver services to our customers. This helps protect the business from unforeseen events that could damage our reputation.	Clearly defined corporate values and ethical standards are communicated throughout the organisation and all employees and agents are mandated to undertake annual ethics e-learning. Regular monitoring of key reputation drivers.	↔ **Lead responsibility: Chief Executive Officer** Our home credit and digital businesses have received a number of industry awards for the way we conduct our business. We have been recognised for our responsible lending practices, as a top employer and for being a socially responsible business. We take a proactive approach to reputation management and update the market on material challenges that we are required to disclose.
8. World economic environment We suffer financial loss as a result of a failure to identify and adapt to changing economic conditions adequately. **Objective** We aim to have business processes that allow us to respond to changes in economic conditions and optimise business performance.	**Impact** Changes in economic conditions have a direct impact on our customers' ability to make repayments. This risk is led entirely by external factors that are not controllable and is driven by the business model and in particular the specifics of the markets where we operate. **Likelihood** While we operate in numerous markets, the likelihood of a change in economic markets that we are unable to respond to, and that impacts our strategy, is minimised by our short-term lending business models.	Treasury committees review economic indicators. Monitoring of economic, political and national news briefings. Strong, personal customer relationships inform us of individual customer circumstances.	↔ **Lead responsibility: Chief Financial Officer** There were reasonably stable macroeconomic conditions in all our European markets in 2018. Current indicators suggest our markets will deliver positive GDP growth, low unemployment and moderately increasing inflation in 2019. In Mexico, political change resulted in some uncertainty in 2018 but positive GDP growth is forecast in 2019 and 2020. We have taken a coordinated approach to the risks identified in the event of the UK leaving the EU without a deal and robust plans are in place to address these risks. As our European operations are all within the EU, we continue to believe that there will be significant operational disruption. We continue to monitor other geopolitical events on financial markets and macroeconomic conditions.
9. Safety The risk of personal injury or harm to our agents or employees. **Objective** We aim to maintain adequate arrangements and controls that reduce the risks to as low as is reasonably practicable.	**Impact** A significant element of our business model involves our agents and employees interacting with our customers in their homes or travelling to numerous locations daily. Their safety while performing their role is paramount to us. **Likelihood** Safety risks typically arise from the behaviour of individuals both internal and external to the business and therefore the ability to remove the risk entirely is not possible with the	Safety management systems based on internationally recognised standards. Market safety committees and annual safety survey. Bi-annual risk assessment for each agency including mitigation planning and field safety training. Annual self-certification of safety compliance by managers.	↔ **Lead responsibility: Chief Executive Officer** We continued to make progress in our safety management systems, and our home credit businesses either maintained their Occupational Health and Safety Assessment Series (OHSAS) certification or are now working towards the new standard that replaced OHSAS in 2018 (ISO 45001 Occupational Health and Safety Management Standard). Safety continues to be a significant area of focus for the Group.

	current business model, working with 21,000 agents, however, improvements are constantly sought to reduce the risk where possible.	Regular branch safety meetings and safety awareness campaigns. Role-specific training and competence matrix.	
10. Credit The risk of the Group suffering financial loss if its customers fail to meet their contracted obligations. **Objective** We aim to maintain credit and collections policies and regularly monitor credit performance.	**Impact** With the expansion of our IPF Digital and Mexico home credit businesses, it is important that we retain control of credit losses in order to achieve our intended returns. For the European home credit businesses, we focus on writing profitable business to optimise returns. The nature of the business is such that the financial impact of credit risk, even at appetite levels, is substantial. Reducing credit risk further could result in reduced revenue and increased cost ratios. For new businesses, credit risk is higher due to the lack of historical data our credit scorecards rely upon to make adequate lending decisions. **Likelihood** Our control environment means that we will see issues quickly and the systems in place mean that we can change credit settings quickly, and therefore the likelihood of suffering large losses is low.	Weekly credit reporting on the quality of business at time of issue as well as the overall portfolio. This feeds into weekly performance calls between each business and the Group credit director. In addition, there are monthly local credit committees, a monthly Group credit committee and monthly performance calls between each business and the Group management team. When a change is introduced, the credit systems allow for a testing approach that gives direct comparison of the current 'champion' regime against the new 'challenger'.	↔ **Lead responsibility: Chief Executive Officer** Overall, credit quality was well managed and Group impairment as a percentage of revenue improved. The credit quality of the European home credit portfolios was very good in 2018, driven mainly by good collections made by agents and strong post-field collections. Our Mexico home credit business maintained adequate collections while delivering growth, and impairment as a percentage of revenue for 2018 was slightly higher than 2017. The credit risk environment in our established IPF Digital markets is generally stable. In our new markets, impairment as a percentage of revenue improved by 26.6ppts as we delivered improved credit settings and built scale. This resulted in a significant improvement in impairment as a percentage of revenue for IPF Digital as a whole.
11. Funding, market and counterparty The risk of insufficient availability of funding, unfavourable pricing, a breach of debt facility covenants, or that performance is significantly impacted by interest rate or currency movements, or failure of a banking counterparty. **Objective** We aim to maintain a robust funding position, and to limit the impact of interest rate and currency movements and exposure to financial counterparties.	**Impact** Funding at appropriate cost and on appropriate terms, and management of financial market risk, are necessary for the future growth of the business. **Likelihood** Board-approved policies require us to maintain a resilient funding position with good headroom on undrawn bank facilities, appropriate hedging of market risk, and appropriate limits to counterparty risk.	Adherence to Board-approved policies monitored through the Treasury Committee, finance leadership team and regular Board reporting. Funding plans presented as part of budget planning. Strong relationships maintained with debt providers.	↔ **Lead responsibility: Chief Financial Officer** Our business has a robust funding position with good headroom on undrawn bank facilities. We have continued to execute our strategy of diversifying the sources of funding and extending the maturity profile. In 2018, we transacted a four-year Swedish Krona 450 million (ted aillion) floating rate bond and have added £44 million of new bank facilities. We will continue this strategy in addressing the material bond refinancing in 2020/21. The good level of headroom on bank facilities gives us significant flexibility on timing. Hedging of market risk and limits on counterparty risk are in line with Board-approved policies.

3. Related parties

The Group has not entered into any material transactions with related parties during the year ended 31 December 2018.

4. Segmental analysis

Geographical segments

	2018 **£m**	2017 £m
Revenue		
Home credit		
Europe	**493.3**	504.7
Mexico	**226.1**	217.0
	719.4	721.7
Digital	**147.0**	104.1
Revenue – continuing operations	**866.4**	825.8
Discontinued operations	**-**	3.7
Revenue	**866.4**	829.5

Impairment		
Home credit		
Europe	**88.5**	91.1
Mexico	**82.9**	75.6
Slovakia and Lithuania	**-**	(8.5)
	171.4	158.2
Digital	**55.6**	42.9
Impairment – continuing operations	**227.0**	201.1
Discontinued operations	**-**	2.6
Impairment	**227.0**	203.7

Profit before taxation		
Home credit		
Europe	**113.8**	114.3
Mexico	**15.7**	14.7
Slovakia and Lithuania	**-**	3.2
	129.5	132.2
Digital	**(5.6)**	(11.7)
Central costs*	**(14.6)**	(14.9)
Profit before taxation – continuing operations	**109.3**	105.6
Discontinued operations	**-**	(2.7)
Profit before taxation	**109.3**	102.9

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

	2018 **£m**	2017 £m
Segment assets		
Home credit		
Europe	**699.8**	822.3
Mexico	**241.7**	220.3
Slovakia and Lithuania	**0.3**	0.9
	941.8	1,043.5
Digital	**310.2**	231.9
UK	**70.5**	67.2
Total	**1,322.5**	1,342.6
Segment liabilities		
Home credit		
Europe	**327.7**	332.0
Mexico	**144.8**	145.2
Slovakia and Lithuania	**5.3**	7.7
	477.8	484.9
Digital	**224.7**	157.0
UK	**187.0**	203.8
Total – continuing operations	**889.5**	845.7

Capital expenditure		
Home credit		
Europe	**4.1**	6.7
Mexico	**1.7**	2.7
	5.8	9.4
Digital	**0.9**	0.6
UK	**-**	0.1
Total – continuing operations	**6.7**	10.1

	2018 £m	2017 £m
Depreciation		
Home Credit		
Europe	**5.0**	5.1
Mexico	**2.2**	2.4
	7.2	7.5
Digital	**0.6**	0.4
UK	**1.4**	2.4
Total	**9.2**	10.3

	2018 £m	2017 £m
Expenditure on intangible assets		
Home Credit		
Europe	**-**	-
Mexico	**-**	-
	-	-
Digital	**10.5**	5.9
UK	**8.8**	9.0
Total	**19.3**	14.9

	2018 £m	2017 £m
Amortisation		
Home Credit		
Europe	**-**	-
Mexico	**-**	-
	-	-
Digital	**4.6**	2.9
UK	**9.9**	8.5
Total	**14.5**	11.4

5. Tax expense

The pre—exceptional taxation charge for the year on statutory profit before taxation was £33.9 million (2017: £30.6 million) which equates to an effective rate of 31.0% (2017: 29.0.%).

The exceptional tax charge of £30.0 million in 2017 relates to the write off of a deferred tax asset due to a change in Polish tax legislation effective from 1 January 2018.

The effective tax rate for 2019 is expected to be c.41%.

The Group is currently subject to a tax audit with respect to Provident Polska for the years 2008 - 2012. Audits of 2010 to 2012 are ongoing, whilst for 2008 and 2009; decisions were received in January 2017 and have been appealed. The Group is also subject to audits in Mexico (regarding 2017) and Slovakia (regarding 2015). The Mexican audit is still at the information gathering stage, and the Slovak audit is nearing conclusion.

6. Earnings per share

	2018 pence	2017 pence
Basic EPS – continuing operations pre-exceptional tax	**33.8**	33.7
Dilutive effect of awards	**(1.6)**	(1.3)
Diluted EPS – continuing operations pre-exceptional tax	**32.2**	32.4

	2018 pence	2017 pence
Basic EPS – continuing operations	**33.8**	20.2
Dilutive effect of awards	**(1.6)**	(0.7)
Diluted EPS – continuing operations	**32.2**	19.5

	2018 pence	2017 pence
Basic EPS – including discontinued operations	**33.8**	16.5
Dilutive effect of awards	**(1.6)**	(0.7)
Diluted EPS – including discontinued operations	**32.2**	15.8

Basic earnings per share ('EPS') from pre-exceptional continuing operations is calculated by dividing the earnings attributable to shareholders of £75.4 million (31 December 2017: £75.0 million) by the weighted average number of shares in issue during the period of 223.0 million which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (31 December 2017: 222.4 million).

Basic earnings per share ('EPS') from continuing operations is calculated by dividing the earnings attributable to shareholders of £75.4 million (31 December 2017: £45.0 million) by the weighted average number of shares in issue during the period of 223.0 million which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (31 December 2017: 222.4 million).

Basic earnings per share ('EPS') including discontinued operations is calculated by dividing the earnings attributable to shareholders of £75.4 million (31 December 2017: £36.6 million) by the weighted average number of shares in issue during the period of 223.0 million which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (31 December 2017: 224.4 million).

For diluted EPS the weighted average number of shares has been adjusted to 234.1 million (31 December 2017: 231.4 million) to assume conversion of all dilutive potential ordinary share options relating to employees of the Group.

7. Dividends

Dividend per share

	2018 pence	2017 pence
Interim dividend	**4.6**	4.6
Final proposed dividend	**7.8**	7.8
Total dividend	**12.4**	12.4

Dividends paid

	2018 £m	2017 £m
Interim dividend of 4.6 pence per share (2017: interim dividend of 4.6 pence per share)	**10.3**	10.2
Final 2017 dividend of 7.8 pence per share (2017: final 2016 dividend of 7.8 pence per share)	**17.4**	17.4
Total dividends paid	**27.7**	27.6

The directors are recommending a final dividend in respect of the financial year ended 31 December 2018 of 7.8 pence per share which will amount to a full year dividend payment of £27.7 million. If approved by the shareholders at the annual general meeting, this dividend will be paid on 10 May 2019 to shareholders who are on the register of members at 12 April 2019. This dividend is not reflected as a liability in the balance sheet as at 31 December 2018 as it is subject to shareholder approval.

8. Discontinued operations

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

	2018 £m	2017 £m
Revenue	**-**	3.7
Impairment	**-**	(2.6)
Revenue less impairment	**-**	1.1
Finance costs	**-**	(0.2)
Other operating costs	**-**	(0.7)
Administrative expenses	**-**	(2.9)
Trading losses	**-**	(2.7)
Write-off of assets	**-**	(5.2)
Loss before taxation	**-**	(7.9)
Taxation charge	**-**	(0.5)
Loss – discontinued operations	**-**	(8.4)

9. Goodwill

	2018	2017

	£m	£m
Net book value at 1 January	**24.4**	23.3
Exchange adjustments	**0.1**	1.1
Net book value at 31 December	**24.5**	24.4

Goodwill is tested annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount is determined from a value in use calculation. The key assumptions used in the value in use calculation relate to the discount rates and growth rates adopted. We adopt discount rates which reflect the time value of money and the risks specific to the legacy MCB business. The cash flow forecasts are based on the most recent financial budgets approved by the Group Board for the next three years. The rate used to discount the forecast cash flows is 10% (2017: 10%). No reasonably foreseeable reduction in the assumptions would give rise to impairment, and therefore no further sensitivity analysis has been presented.

10. Intangible assets

	2018	2017
	£m	£m
Net book value at 1 January	**33.1**	32.6
Additions	**19.3**	14.9
Impairment	**-**	(3.3)
Amortisation	**(14.5)**	(11.4)
Exchange adjustments	**0.1**	0.5
Disposal of subsidiary	**-**	(0.2)
Net book value at 31 December	**38.0**	33.1

Intangible assets comprise computer software (2018: £38.0 million; 2017: £31.5 million) and customer relationships on the acquisition of MCB Finance (2018: £nil; 2017: £1.6 million).

11. Property, plant and equipment

	2018	2017
	£m	£m
Net book value at 1 January	**23.2**	23.4
Exchange adjustments	**-**	0.9
Additions	**6.7**	10.1
Disposals	**(0.8)**	(0.7)
Depreciation	**(9.2)**	(10.3)
Disposal of subsidiary	**-**	(0.2)
Net book value at 31 December	**19.9**	23.2

As at 31 December 2018 the Group had £4.9 million of capital expenditure commitments contracted with third parties that were not provided for (2017: £8.4 million).

12. Deferred tax assets

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

13. Non-current tax asset

Non-current tax asset includes an amount of £36.1 million in respect of the tax paid to the Polish Tax Authority, see note 21 for further details.

14. Amounts receivable from customers

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

	2018	2017
	£m	£m
Polish zloty	**353.0**	393.3
Czech crown	**66.0**	83.3
Euro	**179.1**	148.4
Hungarian forint	**128.3**	162.7
Mexican peso	**176.4**	165.1
Romanian leu	**74.4**	93.4
Australian Dollar	**15.6**	10.7
Total receivables	**992.8**	1,056.9

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows receivable discounted at the average effective interest rate of 109% (2017: 99%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 11.5 months (2017: 9.1 months).

The breakdown of receivables by stage is as follows:

	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total net receivables £m**
Home credit	**460.6**	**90.0**	**192.2**	**742.8**
IPF Digital	**227.0**	**18.3**	**4.7**	**250.0**
Group	**687.6**	**108.3**	**196.9**	**992.8**

The Group has one class of loan receivable and no collateral is held in respect of any customer receivables.

15. Borrowing facilities and borrowings

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

	2018		2017	
	Borrowings £m	**Facilities £m**	Borrowings £m	Facilities £m
Repayable:				
– in less than one year	**28.8**	**86.6**	79.6	133.4
– between one and two years	**172.1**	**226.6**	15.2	68.1
– between two and five years	**497.4**	**572.8**	582.9	665.5
	669.5	**799.4**	598.1	733.6
Total borrowings	**698.3**	**886.0**	677.7	867.0

Total undrawn facilities as at 31 December 2018 were £185.5 million (2017: £186.1 million), excluding £2.2 million unamortised arrangement fees (2017: £3.2 million).

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 to 2012 financial years are currently being audited by the tax authorities in Poland, and all subsequent years up to and including 2018 remain open to future audit. Provident Polska has appealed the decisions

made by the Polish Tax Chamber, to the District Administrative Court, for the 2008 and 2009 financial years and has paid the amounts assessed of £36.1 million (comprising tax and associated interest) which was necessary in order to make the appeals. The 2008 and 2009 tax audit decisions are the subject of a process involving the UK and Polish tax authorities aimed at ensuring that the intra-group arrangement is taxed in accordance with international tax principles and as a result the court hearings have been stayed. In order to appeal any potential future decisions for 2010 and subsequent years, further payments may be required. There are significant uncertainties in relation to whether future amounts will become due, and if so, the amount and timing of such cash outflows. However, in the event that audits are opened, and similar decisions are issued for each of these subsequent financial years, further amounts of up to c. £133 million may be required to be funded (including approximately £69 million for the 2010 to 2012 years in respect of which audits have commenced). See note 21 for further information.

16. Derivative financial instruments

At 31 December 2018 the Group had an asset of £1.6 million and a liability of £7.3 million (2017: £10.4 million asset and £4.8 million liability) in respect of foreign currency contracts and interest rate swaps. Foreign currency contracts are in place to hedge foreign currency cash flows. Interest rate swaps are used to cover a proportion of current borrowings relating to the floating rate Polish bond and a proportion of floating rate bank borrowings. Where these cash flow hedges are effective, in accordance with IFRS, movements in their fair value are taken directly to reserves.

17. Retirement benefit asset

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

	2018	2017
	£m	£m
Equities	**10.8**	11.7
Debt instruments	**17.5**	18.7
Diversified growth funds	**11.2**	11.7
Other	**1.9**	0.1
Total fair value of scheme assets	**41.4**	42.2
Present value of funded defined benefit obligations	**(37.3)**	(40.1)
Net asset recognised in the balance sheet	**4.1**	2.1

The charge recognised in the income statement in respect of defined benefit pension costs is £nil (2017: £0.2 million).

18. Fair values of financial assets and liabilities

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

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

All of the Group's financial instruments held at fair value fall into hierarchy level 2 (2017: all of the Group's financial instruments held at fair value fell into hierarchy level 2). The fair value of derivative financial instruments has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at the relevant period end.

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

	2018		2017	
	Fair value	**Carrying value**	Fair value	Carrying value
	£m	**£m**	£m	£m
Financial assets				
Amounts receivable from customers	**1,371.9**	**992.8**	1,433.0	1,056.9
	1,371.9	**992.8**	1,433.0	1,056.9
Financial liabilities				
Bonds	**529.6**	**567.6**	567.8	590.0
Bank borrowings	**130.7**	**130.7**	87.7	87.7
	660.3	**698.3**	655.5	677.7

The fair value of amounts receivable from customers has been derived by discounting expected future cash flows (as used to calculate the carrying value of amounts due from customers), net of collection costs, at the Group's weighted average cost of capital.

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

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

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

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

	2018	2017
	£m	£m
Profit after taxation from continuing operations	**75.4**	45.0
Adjusted for:		
Tax charge	**33.9**	60.6
Finance costs	**58.5**	55.2
Share-based payment charge/(charge)	**1.1**	(0.2)
Depreciation of property, plant and equipment (note 11)	**9.2**	10.3
Loss on disposal of property, plant and equipment	**0.5**	-
Amortisation of intangible assets (note 10)	**14.5**	11.4
Impairment of intangible assets (note 10)	**-**	3.3
Changes in operating assets and liabilities:		
Amounts receivable from customers	**(65.9)**	(65.9)
Other receivables	**-**	2.0
Trade and other payables	**3.7**	20.2
Retirement benefit obligation	**(0.9)**	(0.9)
Derivative financial instruments	**11.6**	2.6
Cash generated from continuing operating activities	**141.6**	143.6

20. Average and closing foreign exchange rates

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

	Average 2018	**Closing 2018**	Average 2017	Closing 2017
Polish zloty	**4.8**	**4.8**	4.8	4.7
Czech crown	**28.9**	**28.5**	30.3	28.4
Euro	**1.1**	**1.1**	1.1	1.1
Hungarian forint	**359.9**	**357.0**	351.4	346.9
Mexican peso	**25.9**	**25.0**	24.5	26.3
Romanian leu	**5.3**	**5.2**	5.2	5.2
Australian dollar	**1.8**	**1.8**	1.7	1.7

The £8.7 million exchange loss (2017: gain of £51.3 million) on foreign currency translations shown within the statement of comprehensive income arises on retranslation of net assets denominated in currencies other than sterling, due to the change in foreign exchange rates against sterling between December 2017 and December 2018 shown in the table above.

21. Contingent Liability Note

Polish tax audit

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

These audits culminated with decisions being received from the Polish Tax Chamber (the upper tier of the Polish tax authority) in January in relation to both the 2008 and 2009 financial years. Provident Polska appealed these decisions to the District Administrative Court, but had to pay the amounts assessed totalling approximately £36.1 million (comprising tax and associated interest) in order to make the appeals. As noted on page 12, the 2008 and 2009 tax audit decisions are the subject of a process involving the UK and Polish tax authorities aimed at ensuring that the intra-group arrangement is taxed in accordance with international tax principles and as a result the court hearings have been stayed.

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

The 2010 to 2012 financial years are currently being audited by the tax authorities in Poland. In the event that the Polish tax authorities were to issue decisions, and those decisions were to follow the same reasoning as for 2008 and 2009, around a further £69 million would become payable. In addition, all subsequent years remain open to future audit, meaning that there are further significant uncertainties in relation to whether future amounts will become due, and if so, the amount and timing of such additional future payments in relation to these periods. In the event that audits are opened in respect of some or all of these open periods, and similar decisions are reached,

further amounts may be required to be paid, the timing of which would be dependent upon the timing of decisions made by the Polish tax authorities for these later periods. The total potential liability for all open years 2008-2018, if all years were assessed on the same basis as 2008 and 2009, would amount to around £169 million, including the £36.1 million that was paid in January 2017. Further information is set out in note 15.

State aid investigation

In late 2017 the European Commission opened a state aid investigation into the Group Financing Exemption contained in the UK controlled foreign company rules, which were introduced in 2013. The UK authorities do not accept that the rules constitute state aid. In common with other UK-based international companies whose arrangements are in line with current controlled foreign company rules, the Group may be affected by the outcome of this investigation. The tax benefit obtained by the Group in all years since 2013 is estimated at up to £13.5 million. We do not believe that any provision is required in respect of this item and we are monitoring developments.

22. Going concern

The Board has reviewed the budget for the year to 31 December 2019 and the forecasts for the two years to 31 December 2021 which include projected profits, cash flows, borrowings, headroom against debt facilities, and funding requirement. The plan is stress tested in a variety of downside scenarios that reflect the crystallisation of the Group's principal risks with particular reference to regulatory, taxation, funding, market and counterparty risks as outlined in note 2 to this financial information and the consequent impact on future performance, funding requirements and covenant compliance. Consideration has also been given to multiple risks materialising concurrently and the availability of mitigating actions that could be taken to reduce the impact of the identified risks. The Group's total debt facilities including a range of bonds and bank facilities, combined with a successful track record of accessing debt funding markets over a long period (including periods of adverse macroeconomic conditions and a changing competitive and regulatory environment), is sufficient to fund business requirements for the foreseeable future. Taking these factors into account, together with regulatory and taxation risks set out in note 2 to this financial information, the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, the Board has adopted the going concern basis in preparing this financial information.

23. Change in Accounting Policies - IFRS 9 'Financial Instruments'

This note explains the impact of the adoption of IFRS 9 Financial Instruments on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

	Audited 1 January 2018 £m	IFRS 9 impact 1 January 2018 £m	Restated 1 January 2018 £m
Assets			
Non-current assets			
Goodwill	24.4	-	24.4
Intangible assets	33.1	-	33.1
Property, plant and equipment	23.2	-	23.2
Deferred tax assets	103.1	23.1	126.2
Non-current tax asset	37.0	-	37.0

Retirement benefit asset	2.1	-	2.1
	222.9	23.1	246.0
Current assets			
Amounts receivable from customers			
- due within one year	866.9	(107.0)	759.9
- due in more than one year	190.0	(23.5)	166.5
	1,056.9	(130.5)	926.4
Derivative financial instruments	10.4	-	10.4
Cash and cash equivalents	27.4	-	27.4
Other receivables	19.3	-	19.3
Current tax assets	5.7	-	5.7
	1,119.7	(130.5)	989.2
Total assets	1,342.6	(107.4)	1,235.2
Liabilities			
Current liabilities			
Borrowings	(79.6)	-	(79.6)
Derivative financial instruments	(4.8)	-	(4.8)
Trade and other payables	(145.7)	-	(145.7)
Current tax liabilities	(7.4)	-	(7.4)
	(237.5)	-	(237.5)
Non-current liabilities			
Deferred tax liabilities	(10.1)	-	(10.1)
Borrowings	(598.1)	-	(598.1)
	(608.2)	-	(608.2)
Total liabilities	(845.7)	-	(845.7)
Net assets	496.9	(107.4)	389.5
Equity attributable to owners of the Company			
Called-up share capital	23.4	-	23.4
Other reserve	(22.5)	-	(22.5)
Foreign exchange reserve	60.0	-	60.0
Hedging reserve	(1.2)	-	(1.2)
Own shares	(47.6)	-	(47.6)
Capital redemption reserve	2.3	-	2.3
Retained earnings	482.5	(107.4)	375.1
Total equity	496.9	(107.4)	389.5

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out within this note. In accordance with the transitional provisions of IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group’s retained earnings as at 1 January 2018 is as follows:

	1 January 2018
	£m
Closing retained earnings 31 December – IAS 39	482.5
Increase in impairment provisions for amounts receivable from customers	(130.5)

Increase in deferred tax asset relating to impairment provisions	23.1
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018	(107.4)
Opening retained earnings 1 January – IFRS 9	**375.1**

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

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

To the best of each director's knowledge:

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

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

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Income statement measures			
IFRS 9 2017 comparative	IAS 39 2017 comparative	Not applicable	The performance reporting in this report compares the 2018 actual performance against the 2017 numbers adjusted for IFRS 9 because the Board believes that this provides the most relevant performance trends. A full reconciliation of the IFRS 9 numbers is set out on pages 51 and 52.
Credit issued growth (%)	None	Not applicable	Credit issued is the principal value of loans advanced to customers and is an important measure of the level of lending in the business. Credit issued growth is the period-on-period change in this metric which is calculated by retranslating the previous year's credit issued at the average actual exchange

			rates used in the current financial year. This ensures that the measure is presented having eliminated the effects of exchange rate fluctuations on the period-on-period reported results.
Average net receivables (£m)	None	Not applicable	Average net receivables are the average amounts receivable from customers translated at the average monthly actual exchange rate. This measure is presented to illustrate the change in amounts receivable from customers on a consistent basis with revenue growth.
Average net receivables growth at constant exchange rates (%)	None	Not applicable	Average net receivables growth is the period-on-period change in average net receivables which is calculated by retranslating the previous year's average net receivables at the average actual exchange rates used in the current financial year. This ensures that the measure is presented having eliminated the effects of exchange rate fluctuations on the period-on-period reported results.
Revenue growth at constant exchange rates (%)	None	Not applicable	The period-on-period change in revenue which is calculated by retranslating the previous year's revenue at the average actual exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results.
Revenue yield (%)	None	Not applicable	Revenue yield is reported revenue divided by average net receivables and is an indicator of the gross return being generated from average net receivables.
Impairment as a percentage of revenue (%)	None	Not applicable	Impairment as a percentage of revenue is reported impairment divided by reported revenue and represents a measure of credit quality that is used across the business. This measure is reported on a rolling annual basis (annualised).
Cost-income ratio (%)	None	Not applicable	The cost-income ratio is other costs divided by reported revenue. Other costs represent all operating costs with the exception of amounts paid to agents as collecting commission. This measure is reported on a rolling annual basis (annualised). This is useful for comparing performance across markets.
Pre-exceptional	Profit before	Exceptional	Profit before tax and exceptional items.

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

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

Reconciliation of 2017 reported numbers under IAS39 restated under IFRS 9

The performance reporting in this report compares the 2018 actual performance against the 2017 numbers adjusted for IFRS 9 because the Board believes that this provides the most relevant comparison of performance trends. A full reconciliation of the 2017 profit and loss account between the reported numbers and the IFRS 9 numbers is set out below:

Group

	2017 IAS39 £m	IFRS 9 Impact £m	2017 IFRS 9 £m
Average net receivables	993.1	(116.0)	877.1

Revenue	825.8	16.8	842.6
Impairment	(201.1)	(25.2)	(226.3)
Net revenue	624.7	(8.4)	616.3
Finance costs	(55.2)	-	(55.2)
Agents' commission	(85.9)	-	(85.9)
Other costs	(378.0)	-	(378.0)
Profit before tax	105.6	(8.4)	97.2

Home credit

	2017 IAS39 £m	IFRS 9 Impact £m	2017 IFRS 9 £m
Average net receivables	833.9	(105.3)	728.6
Revenue	721.7	16.8	738.5
Impairment	(166.7)	(20.6)	(187.3)
Net revenue	555.0	(3.8)	551.2
Finance costs	(46.8)	-	(46.8)
Agents' commission	(85.5)	-	(85.5)
Other costs	(293.7)	-	(293.7)
Profit before tax	129.0	(3.8)	125.2

European home credit

	2017 IAS39 £m	IFRS 9 Impact £m	2017 IFRS 9 £m
Average net receivables	661.7	(83.7)	578.0
Revenue	504.7	15.2	519.9
Impairment	(91.1)	(17.2)	(108.3)
Net revenue	413.6	(2.0)	411.6
Finance costs	(36.6)	-	(36.6)
Agents' commission	(56.6)	-	(56.6)
Other costs	(206.1)	-	(206.1)
Profit before tax	114.3	(2.0)	112.3

Mexico home credit

	2017 IAS39 £m	IFRS 9 Impact £m	2017 IFRS 9 £m
Average net receivables	172.2	(21.6)	150.6
Revenue	217.0	1.6	218.6
Impairment	(75.6)	(3.4)	(79.0)
Net revenue	141.4	(1.8)	139.6
Finance costs	(10.2)	-	(10.2)
Agents' commission	(28.9)	-	(28.9)
Other costs	(87.6)	-	(87.6)
Profit before tax	14.7	(1.8)	12.9

IPF Digital

	2017 IAS39 £m	IFRS 9 Impact £m	2017 IFRS 9 £m
Average net receivables	159.2	(10.7)	148.5
Revenue	104.1	-	104.1
Impairment	(42.9)	(4.6)	(47.5)
Net revenue	61.2	(4.6)	56.6
Finance costs	(8.4)	-	(8.4)
Other costs	(64.5)	-	(64.5)
Loss before tax	(11.7)	(4.6)	(16.3)

IPF Digital – Established markets

	2017 IAS39 £m	IFRS 9 Impact £m	2017 IFRS 9 £m
Average net receivables	109.5	(3.8)	105.7
Revenue	63.4	-	63.4
Impairment	(13.2)	0.1	(13.1)
Net revenue	50.2	0.1	50.3
Finance costs	(5.8)	-	(5.8)
Other costs	(25.9)	-	(25.9)
Profit before tax	18.5	0.1	18.6

IPF Digital - New markets

	2017 IAS39 £m	IFRS 9 Impact £m	2017 IFRS 9 £m
Average net receivables	49.7	(6.9)	42.8
Revenue	40.7	-	40.7
Impairment	(29.7)	(4.7)	(34.4)
Net revenue	11.0	(4.7)	6.3
Finance costs	(2.6)	-	(2.6)
Other costs	(28.9)	-	(28.9)
Loss before tax	(20.5)	(4.7)	(25.2)

Constant exchange rate reconciliations

The year-on-year change in IFRS 9 profit and loss accounts is calculated by retranslating the 2017 IFRS 9 profit and loss account at the average actual exchange rates used in the current year.

2018

£m	European home credit	Mexico home credit	IPF Digital	Lithuania and Slovakia	Central costs	Group
Customers	**1,092.0**	**917.0**	**292.0**	**-**	**-**	**2,301.0**

Credit issued	**757.8**	**291.0**	**311.8**	**-**	**-**	**1,360.6**
Average net receivables	**558.9**	**154.9**	**209.6**	**-**	**-**	**923.4**
Revenue	**493.3**	**226.1**	**147.0**	**-**	**-**	**866.4**
Impairment	**(88.5)**	**(82.9)**	**(55.6)**	**-**	**-**	**(227.0)**
Net revenue	**404.8**	**143.2**	**91.4**	**-**	**-**	**639.4**
Finance costs	**(35.3)**	**(11.3)**	**(11.9)**	**-**	**-**	**(58.5)**
Agents' commission	**(53.7)**	**(28.8)**	**-**	**-**	**-**	**(82.5)**
Other costs	**(202.0)**	**(87.4)**	**(85.1)**	**-**	**(14.6)**	**(389.1)**
Profit/(loss) before tax	**113.8**	**15.7**	**(5.6)**	**-**	**(14.6)**	**109.3**

2017 performance, restated for IFRS 9, at 2017 average foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Lithuania and Slovakia	Central costs	Group
Customers	1,236.2	828.0	226.0	-	-	2,290.2
Credit issued	797.0	273.7	230.8	-	-	1,301.5
Average net receivables	578.0	150.6	148.5	-	-	877.1
Revenue	519.9	218.6	104.1	-	-	842.6
Impairment	(108.3)	(79.0)	(47.5)	8.5	-	(226.3)
Net revenue	411.6	139.6	56.6	8.5	-	616.3
Finance costs	(36.6)	(10.2)	(8.4)	-	-	(55.2)
Agents' commission	(56.6)	(28.9)	-	(0.4)	-	(85.9)
Other costs	(206.1)	(87.6)	(64.5)	(4.9)	(14.9)	(378.0)
Profit/(loss) before tax	112.3	12.9	(16.3)	3.2	(14.9)	97.2

Foreign exchange movements

£m	European home credit	Mexico home credit	IPF Digital	Lithuania and Slovakia	Central costs	Group
Credit issued	1.9	(14.6)	0.7	-	-	(12.0)
Average net receivables	2.4	(7.8)	0.5	-	-	(4.9)
Revenue	1.0	(11.7)	0.2	-	-	(10.5)
Impairment	(0.1)	4.0	(0.1)	0.3	-	4.1
Net revenue	0.9	(7.7)	0.1	0.3	-	(6.4)
Finance costs	(0.1)	0.6	(0.1)	-	-	0.4
Agents' commission	(0.2)	1.6	-	-	-	1.4
Other costs	(1.3)	4.3	0.3	(0.1)	-	3.2
Profit/(loss) before tax	(0.7)	(1.2)	0.3	0.2	-	(1.4)

2017 performance, restated for IFRS 9 at 2018 average foreign exchange rates

£m	European home credit	Mexico Home credit	IPF Digital	Lithuania and Slovakia	Central costs	Group
Credit issued	798.9	259.1	231.5	-	-	1,289.5
Average net receivables	580.4	142.8	149.0	-	-	872.2
Revenue	520.9	206.9	104.3	-	-	832.1
Impairment	(108.4)	(75.0)	(47.6)	8.8	-	(222.2)
Net revenue	412.5	131.9	56.7	8.8	-	609.9
Finance costs	(36.7)	(9.6)	(8.5)	-	-	(54.8)
Agents' commission	(56.8)	(27.3)	-	(0.4)	-	(84.5)
Other costs	(207.4)	(83.3)	(64.2)	(5.0)	(14.9)	(374.8)

Year-on-year movement at constant exchange rates

	European	Mexico	IPF	Lithuania	Central	Group

	home credit	Home credit	Digital	and Slovakia	costs	
Credit issued	(5.1%)	12.3%	34.7%	-	-	5.5%
Average net receivables	(3.7%)	8.5%	40.7%	-	-	5.9%
Revenue	(5.3%)	9.3%	40.9%	-	-	4.1%
Impairment	18.4%	(10.5%)	(16.8%)	(100.0)	-	(2.2%)
Net revenue	(1.9%)	8.6%	61.2%	(100.0)	-	4.8%
Finance costs	3.8%	(17.7%)	(40.0%)	-	-	(6.8%)
Agents' commission	5.5%	(5.5%)	-	100.0%	-	2.4%
Other costs	2.6%	(4.9%)	(32.6%)	100.0%	2.0%	(3.8%)

Return on assets (ROA)

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

2018	European home credit	Mexico home credit	IPF Digital	Lithuania and Slovakia	Central Costs	Group
Profit before tax (£m)	**113.8**	**15.7**	**(5.6)**	**-**	**(14.6)**	**109.3**
Interest (£m)	**35.3**	**11.3**	**11.9**	**-**	**-**	**58.5**
PBIT (£m)	**149.1**	**27.0**	**6.3**	**-**	**(14.6)**	**167.8**
Taxation (£m)	**(46.2)**	**(8.4)**	**(2.0)**	**-**	**4.5**	**(52.1)**
PBIAT (£m)	**102.9**	**18.6**	**4.3**	**-**	**(10.1)**	**115.7**
Average receivables (£m)	**558.9**	**154.9**	**209.6**	**-**	**-**	**923.4**
Return on assets	**18.4%**	**12.0%**	**2.1%**	**-**	**-**	**12.5%**

2017 IFRS 9	European home credit	Mexico home credit	IPF Digital	Lithuania and Slovakia	Central Costs	Group
Profit before tax (£m)	112.3	12.9	(16.3)	3.2	(14.9)	97.2
Interest (£m)	36.6	10.2	8.4	-	-	55.2
PBIT (£m)	148.9	23.1	(7.9)	3.2	(14.9)	152.4
Taxation[1] (£m)	(43.2)	(6.7)	2.3	(0.9)	4.3	(44.2)
PBIAT (£m)	105.7	16.4	(5.6)	2.3	(10.6)	108.2
Average receivables (£m)	578.0	150.6	148.5	-	-	877.1
Return on assets	18.3%	10.9%	(3.8%)	-	-	12.3%

[1] Adjusted for exceptional tax charge

2017 IAS 39	European home credit	Mexico home credit	IPF Digital	Lithuania and Slovakia	Central Costs	Group
Profit before tax (£m)	114.3	14.7	(11.7)	3.2	(14.9)	105.6
Interest (£m)	36.6	10.2	8.4	-	-	55.2
PBIT (£m)	150.9	24.9	(3.3)	3.2	(14.9)	160.8
Taxation[1] (£m)	(43.7)	(7.2)	1.0	(0.9)	4.3	(46.5)
PBIAT (£m)	107.2	17.7	(2.3)	2.3	(10.6)	114.3
Average receivables (£m)	661.7	172.2	159.2	-	-	993.1
Return on assets	16.2%	10.3%	(1.5%)	-	-	11.5%

[1] Adjusted for exceptional tax charge

Return on equity (ROE)

ROE is calculated as profit after pre-exceptional tax divided by average net assets

	2018 IFRS 9 £m	2017 IFRS 9 £m	2016 IFRS 9 £m	2017 IAS39 £m	2016 IAS39 £m
Equity (net assets)	**433.0**	389.5	336.7	496.9	429.5
Average equity	**411.3**	363.1		463.2	
Profit after pre-exceptional tax	**75.4**	69.0		75.0	
Return on equity	**18.3%**	19.0%		16.2%	

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

	2018 IFRS 9 £m	2017 IFRS 9 £m	2017 IAS39 £m
Profit before tax from continuing operations	**109.3**	97.2	105.6
Add back:			
Interest	**58.5**	55.2	55.2
Depreciation	**9.2**	10.3	10.3
Amortisation	**14.5**	11.4	11.4
EBITDA	**191.5**	174.1	182.5

Information for shareholders

1. The shares will be marked ex-dividend on 11 April 2019.
2. The final dividend, which is subject to shareholder approval, will be paid on 10 May 2019 to shareholders on the register at the close of business on 12 April 2019.
3. A dividend reinvestment scheme is operated by our Registrar, Link Asset Services. For further information contact The Registrar, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (telephone 0871 664 0300. Calls cost 12 pence per minute plus your phone company's access charge, or +44 (0)371 664 0300 (from outside the UK charged at the applicable international rate). Lines are open 9.00am to 5.30pm Monday to Friday excluding bank holidays).
4. The Annual Report and Financial Statements 2018 and the notice of the annual general meeting will be posted on 20 March 2019 to shareholders who have elected to continue receiving documents from the Company in hard copy form. All other shareholders will be sent a letter explaining how to access the documents on the Company's website from 21 March 2019 or an email with the equivalent information. Paper proxy forms can be requested from the Registrar by phoning the number above.
5. The annual general meeting will be held at 10.30am on 2 May 2019 at the Company's registered office, Number Three, Leeds City Office Park, Meadow Lane, Leeds, LS11 5BD.

This report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The report should not be relied on by any other party or for any other purpose. The report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Percentage change figures for all performance measures, other than profit before taxation and earnings per share, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate (CER) for 2018 in order to present the underlying performance variance.

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International Personal Finance will host a live webcast of its full-year results presentation at 08:30hrs (GMT) today – Wednesday 27 February 2019, which can be accessed in the Investors section of our website at www.ipfin.co.uk. A copy of this statement can also be found on our website at www.ipfin.co.uk.

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