19 April 2011

International Personal Finance plc ("IPF")

Interim Management Statement

In accordance with the UK Listing Authority's Disclosure and Transparency Rules, the purpose of this Interim Management Statement is to provide an update on the performance and financial position of IPF since the start of 2011 up to the date of publication. The quarterly figures presented in this statement are unaudited.

Quarter 1 highlights

- Continued strong growth, effective credit and collections management and tight cost control delivered a £6.3 million increase in pre-tax profit to £8.3 million (Q1 2010: £2.0 million), after absorbing approximately £5.8 million from the combined impact of increased funding costs and early settlement rebates:
  - Strong year-on-year growth in customers (6%), receivables (8%), revenue (6%) and credit issued (9%);
  - Annualised impairment reduced to 26.6% of revenue (Dec 2010: 27.6%); and
  - Year-on-year cost increases limited to 2%.
- Credit controls eased selectively in April to support further growth; plans in place to recruit additional agents, increase marketing spend and expand branch networks in Mexico and Romania.

Chief Executive Officer, John Harnett commented:

"The growth momentum achieved in the final quarter of 2010 has been maintained in the first quarter of 2011. This growth, coupled with much lower impairment, has delivered a substantial improvement in Quarter 1 profit. The Group has made a good start to 2011 and is well placed to deliver stronger growth across the rest of the year."

IPF will host two conference calls for analysts and investors at 9.00am (BST) and 5.00pm (BST) today. Dial-in details for these calls can be obtained from Yasmin Charabati at Finsbury on +44 (0)20 7251 3801 or at yasmin.charabati@finsbury.com.

The AGM trading update will be published at 07:00hrs on Wednesday 11 May 2011.

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Group profit and loss account

The Group has delivered strong growth coupled with much lower impairment, particularly in Poland. This has driven a substantial improvement in Quarter 1 profit, despite the combined impact of approximately £5.8 million from the increased level of early settlement rebates following the implementation of the EU Consumer Credit Directive, and increased finance costs following the re-financing of the business during 2010. The unaudited profit and loss account for the quarter ended 31 March 2011 is shown below:

	Quarter 1 2011 £(m)	**Quarter 1 2010 £(m)**	**Change (at CER) %**
Customers (‘000s)	2,226	2,100	6
Credit issued	189.7	178.4	9
Average net receivables	552.9	524.0	8
Revenue	160.4	153.7	6
Impairment	(61.6)	(66.1)	5
Finance costs	(10.7)	(7.4)	(49)
Agents’ commission	(17.2)	(16.5)	(6)
Other costs	(62.6)	(61.7)	(2)
Profit before tax	**8.3**	**2.0**	

In the final months of 2010 we successfully transitioned the business from a strong focus on credit quality to growth, reflecting the improvements in the economies of the markets in which we operate. During the first quarter of 2011, this momentum has been maintained with customer numbers increased by 15,000, representing annual growth of 6% with credit issued grown at a stronger rate of 9%. This continuation of stronger growth is pleasing given that Quarter 1 seasonally reflects the period of lowest demand.

Average net receivables increased by 8%, with revenue increasing at a lower rate of 6%. This reflects a 2 percentage point reduction in the revenue yield (i.e. revenue as a percentage of average receivables) primarily as a result of the payment of higher early settlement rebates following the implementation of the EU Consumer Credit Directive. The impact on profit of this reduction in the yield was approximately £2.5 million. As previously noted in our 2010 full year results announcement, the additional cost of early settlement rebates on revenue, and therefore profit, for 2011 as compared to 2010 is expected to be approximately £15 million.

Good credit and collections management in all markets, coupled with the absence of the severe weather in Poland that negatively impacted the first quarter results last year, has led to a reduction in impairment of 5%, despite the growth in revenue. Annualised Group impairment as a percentage of revenue has reduced to 26.6%, compared with 27.6% at the end of 2010.

Borrowing costs have increased as a result of higher margins following the restructuring of the Group’s debt facilities, as highlighted in our 2010 full year results announcement. Finance costs have therefore increased by £3.3 million despite borrowings reducing by £38 million year-on-year to £292 million due to strong operating cash flow.

Agent commission costs are directly linked to collections and have increased by 6%. Increases in other costs have been limited to 2%, much lower than the growth in revenue, reflecting continued tight cost control.

Performance by market

The first quarter of the year always delivers the weakest profit performance because of higher impairment during a period when customer incomes are seasonally at their lowest. This has meant that the increase of approximately £5.8 million in interest costs and early settlement rebates has had a disproportionate impact, as compared to the expected outcome for the year as a whole, on profit in this Quarter; and so, in many markets, has offset the underlying profit growth. The impact can be seen in all markets but is less pronounced in Poland which is to implement the EU Consumer Credit Directive later this year and Mexico where the Directive does not apply. This impact is analysed in detail by market at Appendix 1.

The Quarter 1 result for each of the operating markets is summarised below.

Profit before tax from continuing operations	**Quarter 1 2011 £(m)**	**Quarter 1 2010 £(m)**
Poland	5.4	(3.4)
Czech-Slovakia	7.4	8.3
Hungary	(0.5)	(0.4)
Mexico	(1.0)	0.2
Romania	(0.1)	0.0
UK central costs	(2.9)	(2.7)
Profit before tax*	**8.3**	**2.0**

**At like-for-like exchange rates, the result for Quarter 1 2010 would have been £1.7 million.*

Poland has delivered a much improved result compared with the prior year, reflecting stronger growth and much reduced impairment. Growth in credit issued was increased to 10% in the first quarter, and customer numbers increased by 10,000 to 792,000 (Q1 2010: 767,000). Impairment was 11% lower than the weather affected first quarter of last year and this means that impairment has reduced to 28.2% of revenue on an annualised basis (Dec 2010: 30.6%) and has therefore moved back into our target range.

Credit issued in Czech-Slovakia has grown strongly, up by 9% as a result of increased sales to existing quality customers. Customer growth has been below expectations and customers have reduced since the year end by 6,000 to 380,000 (Q1 2010: 387,000). Our primary focus now is to increase the rate of customer growth starting with the key Easter period. As expected impairment as a percentage of revenue has increased a little in response to more rapid credit issued growth with impairment as a percentage of revenue up to 21.5% on an annualised basis (Dec 2010: 19.8%). Nonetheless, credit quality remains good.

In Hungary growth has been good with customer numbers increasing by 5,000 to 243,000 since the year end and credit issued up by 8%. Credit quality remains excellent and impairment as a percentage of revenue continues to be very low at 14%.

Our focus in Mexico in the first quarter was to embed the new field operations management structure designed to reduce spans of control and provide a stronger platform for growth. This is now complete and has supported our efforts to improve credit quality and reduce impairment which is now, on an annualised basis, 34.4% of revenue (March 2010: 38.6%). We therefore now have stronger foundations to increase the rate of growth, which in the first quarter was limited to 2% in respect of credit issued with customers falling slightly by 2,000 to 596,000. We expect faster growth across the remainder of the year, supported by the improved credit quality, improved operational control and the opening of new branches in both the Puebla and Guadalajara regions, starting in Quarter 2.

In Romania, economic conditions remain fragile but consumer confidence continues to improve. So far this year we have maintained tight credit controls and a strong focus on collections. As a result credit quality continues to be good and annualised impairment remains relatively stable at 35.2% of revenue (Dec 2010: 34.7%). Also growth is lower than would be expected for a market at this stage of development but remains reasonable, and in the first quarter customer numbers have increased by 8,000 to 215,000 and credit issued was up by 12% year-on-year.

Appendix 1 - Additional interest and early settlement rebate costs by market

£'million	**Reported profit**	***Increased interest***	***Early settlement rebates***	**Total additional costs**	**Underlying profit**	**2010 reported profit**
Poland	5.4	*0.6*	*(1.8)*	(1.2)	4.2	(3.4)
Czech-Slovakia	7.4	*1.0*	*0.8*	1.8	9.2	8.3
Hungary	(0.5)	*0.7*	*2.2*	2.9	2.4	(0.4)
Mexico	(1.0)	*0.9*	*(0.2)*	0.7	(0.3)	0.2
Romania	(0.1)	*0.1*	*1.5*	1.6	1.5	-
UK	(2.9)	-	-	-	(2.9)	(2.7)
Group	**8.3**	***3.3***	***2.5***	**5.8**	**14.1**	**2.0**